

# Thailand Retail Sector

## Cyclical and structural growth story

Sector Valuation			Current	Target	Market	Norm EPS grw		Norm PE		P/BV		Div. yield	
Company	BBG Code	Rec.	price (Bt)	price (Bt)	Cap (US\$ m)	2023F (%)	2024F (%)	2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (%)	2024F (%)
Berli Jucker	BJC TB	SELL	34.75	30.00	4,091	4.0	12.6	26.8	23.8	1.2	1.1	2.6	2.9
COM7 Pcl	COM7 TB	BUY	28.50	38.00	2,009	13.1	28.5	19.9	15.5	7.9	6.4	3.0	3.8
CP All Pcl	CPALL TB	BUY	62.75	73.00	16,560	35.3	36.2	33.9	24.9	5.1	4.6	1.5	2.0
CP Aextra Pcl	CPAXT TB	BUY	35.00	45.00	10,879	34.0	28.8	35.9	27.9	1.2	1.2	2.1	2.7
Central Pattana	CPN TB	BUY	65.75	80.00	8,669	11.1	14.7	26.5	23.1	3.3	3.0	1.7	1.9
Central Retail Corp.	CRC TB	BUY	40.75	54.00	7,220	27.4	27.4	27.8	21.9	3.6	3.3	1.4	1.8
Siam Global House	GLOBAL TB	BUY	16.10	22.00	2,366	(7.4)	14.4	24.6	21.5	3.3	3.0	1.4	1.6
Home Product Cen.	HMPRO TB	BUY	14.00	18.50	5,409	11.0	14.9	26.7	23.2	7.3	6.8	3.0	3.4
MC Group Pcl	MC TB	BUY	12.20	15.00	284	33.0	17.7	15.0	12.7	2.6	2.5	6.6	7.8
Moshi Retail	MOSHI TB	BUY	54.50	65.00	528	21.0	43.2	47.5	33.2	12.8	10.2	0.8	1.2

Source: Thanachart estimates. Note: MC's fiscal year ends in June. Based on 19 July 2023 closing prices

**Not just benefitting from a cyclical turnaround, the Thai retail sector is also being boosted structurally from continued branch expansions with room for gross margin improvement. We Overweight the sector with CPALL and CRC as our top picks.**

### Still Overweight

We maintain our Overweight stance on retail sector. **First**, the sector's long-term structural growth looks intact from store expansions, improving gross margin and scale benefits. **Second**, in the short-to-medium term, the sector is benefitting from a post-COVID consumption recovery and an unfinished tourism turnaround. **Third**, with cyclical and structural drivers, we estimate core sector profit to surpass 2019's this year before strong EPS growth of 24/18% in 2024-25F. **Lastly**, the sector has been de-rated from a five-year average of 34.1x PE in 2015-19 to 22.8x in 2024F.

### Long-term structural growth looks intact

With a 53% urbanization rate in Thailand, modern-trade branch expansion has yet to reach a saturation point. But we see each retail segment being at a different stage of modern-trade penetration. From high-to-low expansion opportunities, we rank convenience stores (still >400,000 mom & pop stores, with key players closing down shops) and lifestyle products as high and hypermarkets as the lowest. We see wholesale/malls/department stores, home improvement, and other specialty stores in the mid-expansion cycle penetrating suburban areas further with new, smaller formats. We see room to improve gross margin from more private brand sales and economies of scale.

### Unfinished cyclical recovery

Though some retailers' same-store sales (SSS) have gone back to pre-COVID level, we expect CPALL, CPN, CRC and MOSHI with high tourism exposure to see strong SSSG in 2H23F and 2024F when we foresee a full tourism recovery. We expect only GLOBAL, with 15% steel sales which fluctuate along with commodity prices, to post negative SSSG this year. We project sector SSSG of 8.6/5.4/4.1% in 2023-25F.

### Top picks; CPALL and CRC

Our sector picks are CPALL and CRC for the biggest gains from the structural and cyclical boosts with above-sector EPS growth in 2024-25F. MOSHI is our choice for a small-cap retail stock that we expect to post the sector's highest 31% five-year EPS CAGR as it is early in the expansion stage of the growing lifestyle product industry.

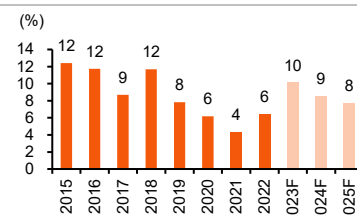


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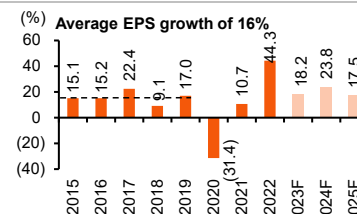
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### Store Expansion Growth



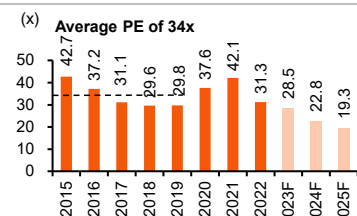
Sources: Company data; Thanachart estimates

### Retail Sector's Core EPS Growth



Sources: Company data; Thanachart estimates

### Sector's PE



Sources: Bloomberg; Thanachart estimates

## Still Overweight

*Overweight on a cyclical turnaround and a structural boost*

Thai retailers were hit severely during the COVID period by the government's policy to temporarily shut retail stores, with the most intense controls enforced in 2Q20 and 3Q21 to contain the COVID contagion. Before COVID, the sector had experienced consistent growth with a 16% EPS CAGR in 2015-19, driven by same-store sales growth (SSSG) along with 2.1-4.2% GDP growth, branch expansion, and higher gross margin.

To thrive amid COVID and beyond, retailers were forced to adjust business strategies, including using omnichannel platforms. Most listed retailers are the market leaders in each retail segment, and they benefit from utilizing the large network of their physical stores and newly developed online platforms. What we saw was a strong business turnaround last year despite the tourism engine still being lacking and the big players have been gaining further market share. Small and medium-sized enterprises (SMEs) terminated their businesses as they couldn't sustain losses for so long, while foreign partners reviewed their overseas investments and exited the Thai market (Tesco sold its hypermarket business in Thailand and Malaysia to CP Group and Family Mart withdrew from Thailand by selling its 49% stake to a local partner, CRC). With further market consolidation, the big fish have got bigger. As the situation returned to normal this year, we reaffirm our Overweight stance on the retail sector based on the following key investment points.

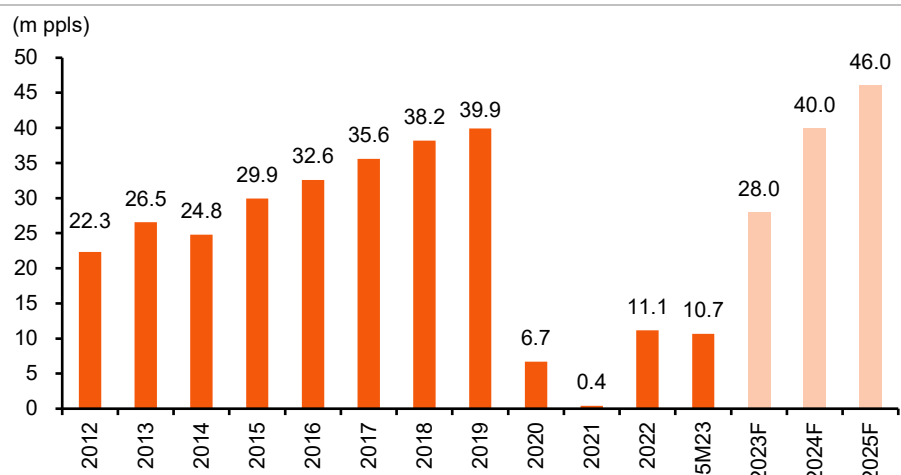
### First, an unfinished consumption recovery

*1) Unfinished consumption recovery*

We expect the retail sector to clearly benefit from the post-COVID consumption recovery, the unfinished tourism turnaround, and a consumption stimulus when the new government is eventually formed. During the COVID period, the sector's average SSSG went negative by 16% in 2020 and another 2% in 2021. Last year, with Thailand reopening efforts from May, no COVID entry requirements from October, and no more lockdowns while many countries also allowed international travel, SSSG rebounded strongly by 15% or 94% vs. the pre-COVID SSSG in 2019.

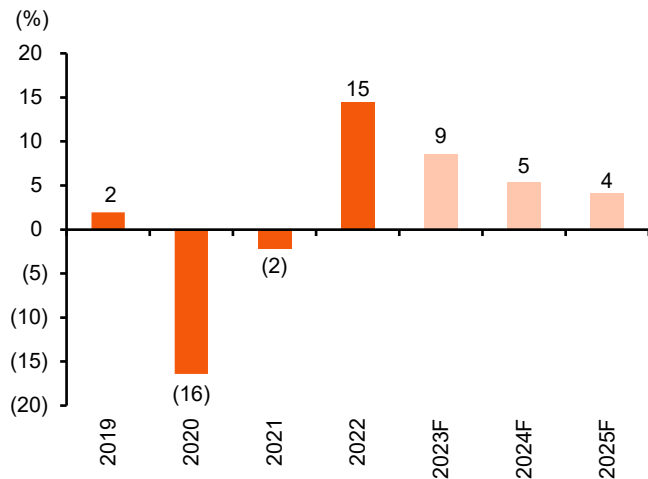
Note that tourism accounted for 11% of Thai GDP in 2019, and around 20% of Thais were employed in the tourism sector. But the SSS recovery surpassed the tourism rebound as some retailers benefitted from a shift in consumers' behavior and demand towards home-improvement activities where people spent more time at home and made bulk grocery purchases. Although TNS forecasts tourist arrivals to resume at 70% of 2019's level to 28m people this year, we estimate positive SSSG of 9% this year to 102% of 2019's pre-COVID and another 5% in 2024F when we expect a full tourism recovery.

**Ex 1: Tourist Arrivals**



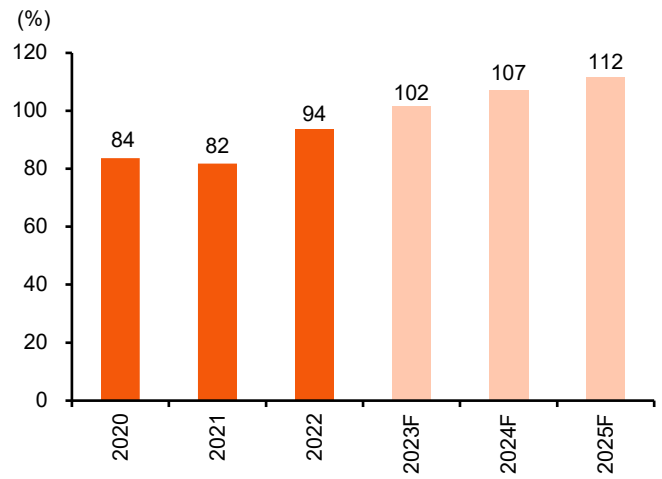
Sources: Ministry of Tourism & Sports, Thanachart estimates

Ex 2: SSSG



Sources: Company data, Thanachart estimates

Ex 3: SSSG Vs. Pre-COVID



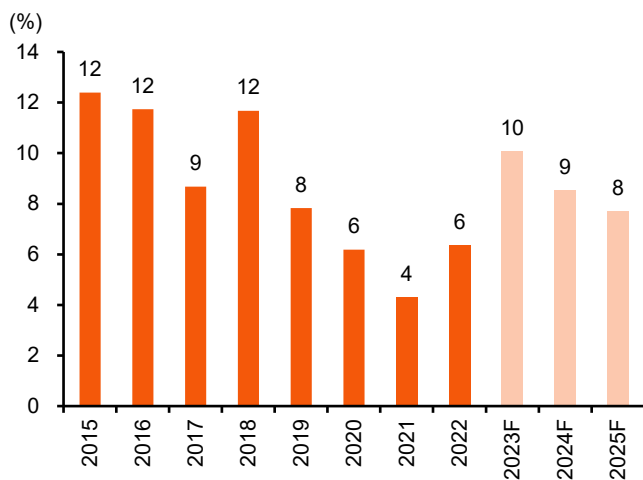
Sources: Company data, Thanachart estimates

**Second, long-term structural growth appears intact**

**2) Structural growth story looks intact**

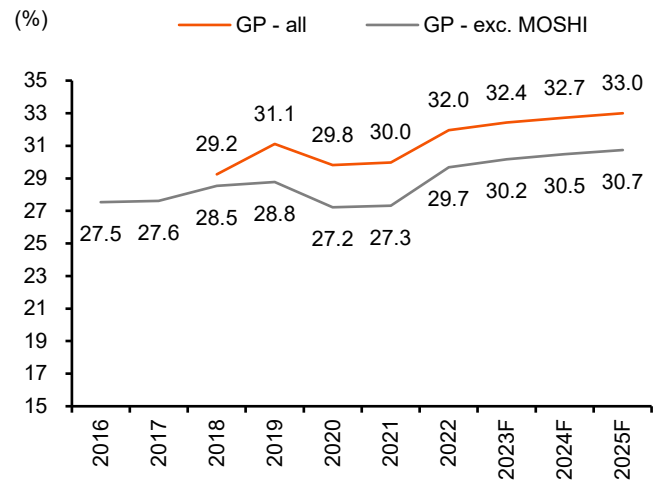
The sector's long-term structural growth still looks intact with all growth engines of SSSG, store expansion, and gross margin expansion, back in place. The business lockdowns and weak consumption in the COVID period caused a hiccup in aggressive store expansion. However, many retailers got back on a rapid expansion track from last year, given ample branch expansion opportunities in Thailand (discussed in the next section). We assume 10/9/8% store expansion growth in 2023-25F. As for gross margin, it corrected in 2020-21 due to the lack of scale advantages on lower sales as well as sales promotions/price discounts amid soft consumption sentiment. We expect back-to-normal business to allow a continued gross margin improvement from a better spending environment, higher scale benefits, and growing imported products and house-brand sales. We assume that sector gross margin widens by 46/29/29bp in 2023-25F to 32.4/32.7/33.0%.

Ex 4: Store Expansion Growth



Sources: Company data, Thanachart estimates

Ex 5: Expanding Gross Margin



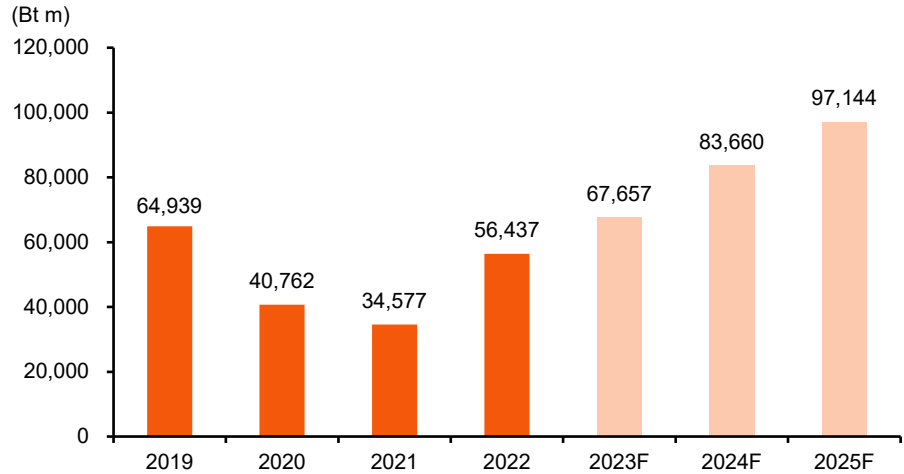
Sources: Company data, Thanachart estimates

**Third, a promising growth outlook**

**3) Strong 24/18% EPS growth in 2024-25F**

With both cyclical and structural drivers, we estimate the sector's normalized profit (10 stocks under our coverage) to surpass 2019's level by 10% this year before enjoying strong EPS growth of 24/18% in 2024-25F.

**Ex 6: Retail Sector's Core Profit**



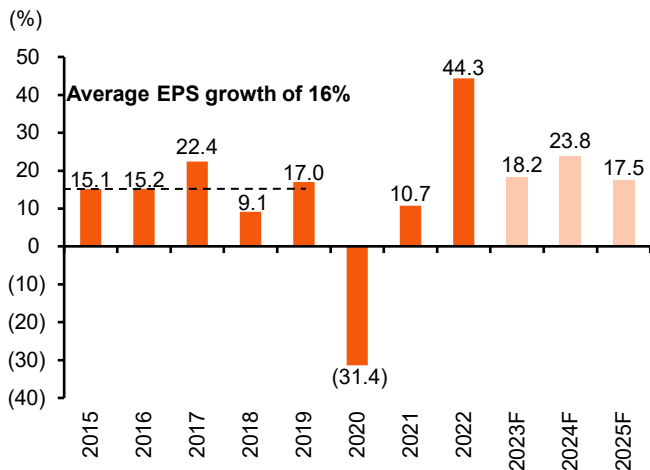
Sources: Company data, Thanachart estimates

**Lastly, a de-rated valuation**

**4) Sector PE has been de-rated**

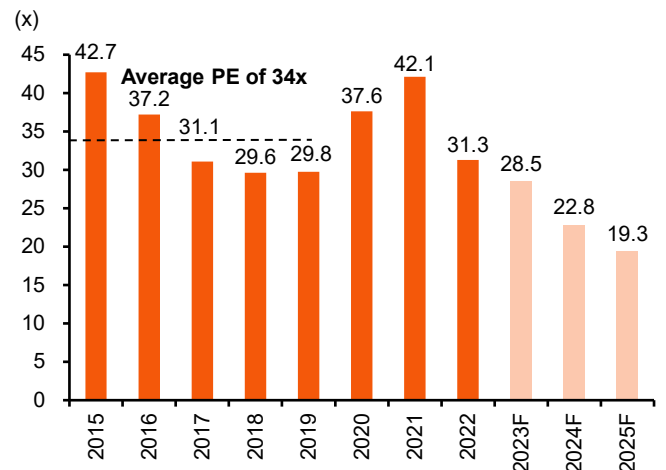
The sector's valuation has been de-rated from a five-year average of 34.1x PE in 2015-19 before COVID to 22.8x in 2024F.

**Ex 7: Retail Sector's Normalized EPS Growth**



Sources: Company data, Thanachart estimates

**Ex 8: Sector's PE**



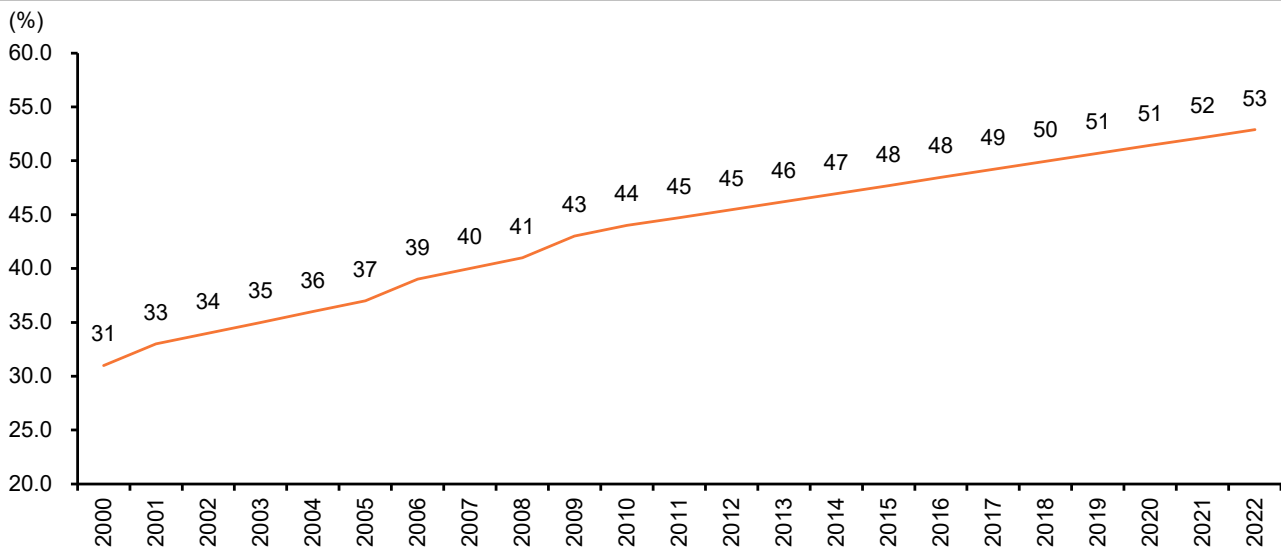
Sources: Bloomberg, Thanachart estimates

### Long-term structural growth intact

**Potential to expand modern-trade stores and gross margin**

Given the 53% urbanization rate in Thailand, modern-trade branch expansion has yet to reach saturation point. But we see each retail segment being in a different stage of modern-trade penetration. From high-to-low expansion opportunities, we rank convenience stores (still >400,000 mom & pops, key players closing down stores) and lifestyle products as high and hypermarkets as the lowest. Wholesale/malls/department stores, home improvement, and other category killers/specialty stores look to be in a mid-expansion cycle, with some penetrating more into suburban areas with new smaller formats. We see room to improve gross margin via more private-brand sales and improved economies of scale.

**Ex 9: Thailand’s Urbanization Rate**



Sources: Statista.com, World Bank

**Ex 10: Expansion Opportunity**

Segment	Expansion Room	Stock	Reason
Convenience stores	High	CPALL, CRC	Large number of mom & pop stores, rivals slow down expansion/close stores.
Lifestyle products	High	MOSHI	Lifestyle product market growth, few competitors.
Wholesale	Medium	CPAXT	Fragmented wholesale market, share gain from wet markets.
Shopping malls	Medium	CPN	Current coverage in less than 50% of the total 77 provinces.
Department stores	Medium	CRC	Current coverage in less than 50% of the total 77 provinces.
Home improvement	Medium	GLOBAL, HMPRO, CRC	Expansion room in Greater Bangkok and secondary provinces.
IT products	Medium	COM7	Expansion room for modern-trade stores, new standalone formats.
Fashion clothing	Medium	MC	Mc outlets at gas stations.
Hypermarket	Low	BJC, CPAXT	Losing share to other segments, both players' SSSG has not returned to pre-COVID level.

Source: Thanachart

**We see high potential to expand CVS**

According to CPALL, there were 21,548 total modern-trade convenience stores (CVS) throughout Thailand in 2022, with CPALL being the market leader with 13,838 branches (64.2% market share), followed by Lotus's Go Fresh's 2,153 branches (10% market share), Mini Big C's 1,431 branches (6.6%), and Family Mart's 415 branches (1.9%).

The CVS segment is one of the retail segments where we believe there is high potential to open new branches, particularly for the market leader 7-Eleven.

**First**, there is a market opportunity to open CVS in rural and remote areas by taking over traditional trade market share. There are about 400,000 mom & pop shops in Thailand.

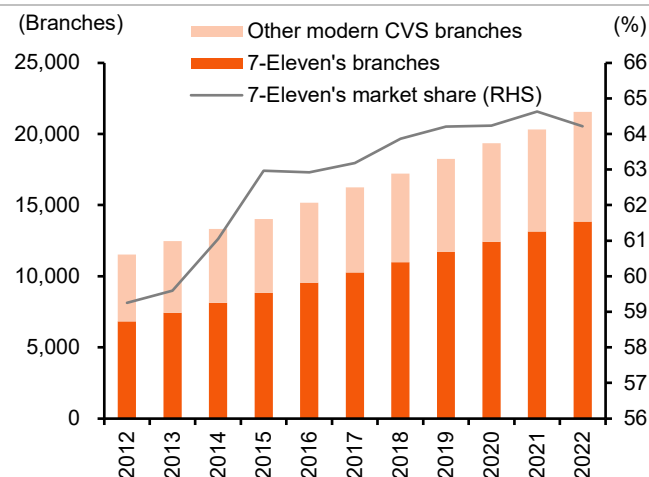
**Second**, 7-Eleven’s market position has been strengthening, and its expansion has not slowed down even during COVID, with an average of 702 net openings (+7.3% p.a.) each year over the past 10 years. With its scale benefits, it possesses higher bargaining power over suppliers and it has developed full-scale support units providing value-added, such as R&D, in-house factories supplying ready-to-eat foods and bakery products, distribution centers, and logistics management. With these advantages over peers, we believe it is too late for rivals to stand a chance of competing.

**Third**, key CVS players have been expanding more slowly lately, and they have started to close loss-making stores. In 1H23F, we expect the No.2 player, Lotus’s Go Fresh, to have net closures of 57 branches as it shut 104 branches in 2Q23F. We also foresee the No.3 player, Mini Big C, to have only 20 net openings in Thailand in 1H23F, far behind its 200-new store target for 2023. The No.4 player, Family Mart, has been closing down branches from 901 in 2020 (the year Family Mart Japan sold all its stake to CRC, a local partner) to 415 in 2022 and 409 in 1Q23. Meanwhile, 7-Eleven continued to expand at the same fast pace, with 209 new branches in 1Q23.

**Fourth**, 7-Eleven’s distinct and differentiated products are key, in our view. 7-Eleven has always been a pioneer in new products and product differentiation. It regularly introduces new items and adds more SKUs. Sales growth is through market-share gains from other segments, food products from street vendors and quick-service restaurants, and non-food products from larger stores such as supermarkets, hypermarkets, and specialty stores. Shelf space is being geared more toward high-margin products, RTE/RTD, and health and beauty goods. It is working closely with suppliers to produce exclusive items “only @ 7-Eleven” in small and convenient sizes or with special flavors.

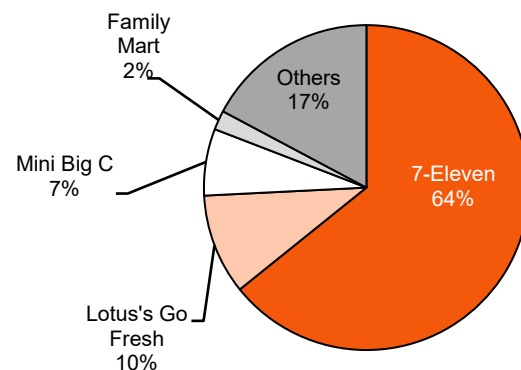
**Fifth**, 7-Eleven was highly flexible in adjusting products and stores during the COVID crisis. One reason for its market share gains from other retail channels was a higher product mix geared towards foods, large-sized packages, and COVID-related products such as masks and medicines. Besides, it started its 7Delivery service with free delivery when ordering up to Bt100 worth of goods, and O2O channel sales are now at 10% of its sales mix. Note that O2O channels are where customers can order, pay, and receive products and services, and they are open 24 hours a day. To accommodate more product SKUs, last year, 80% of its new branches were large standalone stores with parking spaces.

**Ex 11: 7-Eleven’s Rising Market Share**



Source: CPALL Compilation (CPALL’s Annual Report)

**Ex 12: CVS’s Market Share – 2022**



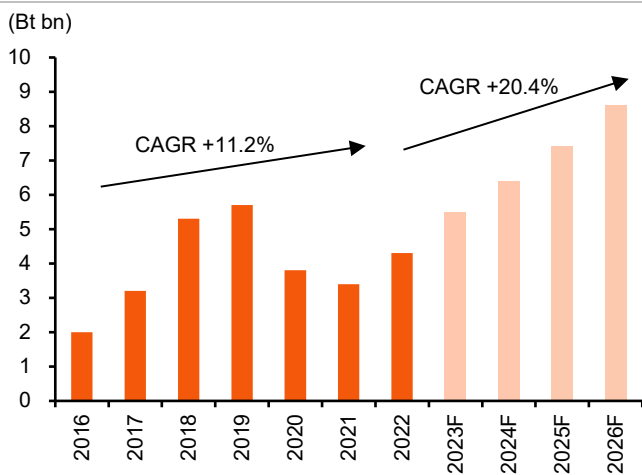
Source: CPALL Compilation (CPALL’s Annual Report)

**Lifestyle product market size is very small with few players**

The market size for lifestyle products in Thailand was still small at below Bt6bn during 2016-22, accounting for only 0.1% of the total retail market size in 2016 before increasing to 0.2% in 2021, according to Frost & Sullivan. With the return of foreign tourists, back-to-normal activities post-COVID (schools, offices, festive celebrations resuming), urbanization, and the increasing popularity of modernized lifestyle products, Frost & Sullivan forecasts the lifestyle goods market to grow at a 20.4% five-year CAGR in 2022-26 to nearly Bt9bn in 2026. We believe this represents a huge opportunity for MOSHI, the market leader in the lifestyle market, where there are only a few active players. By sales market share, MOSHI was No.1 with a 38% share in 2021, followed by Miniso and Daiso. These top-three players commanded around an 80% market share in that year. We expect a further rise in MOSHI's market share as it was the only player with its 2022 sales surpassing the 2019 pre-COVID year, rising by 11%, and making profits every year.

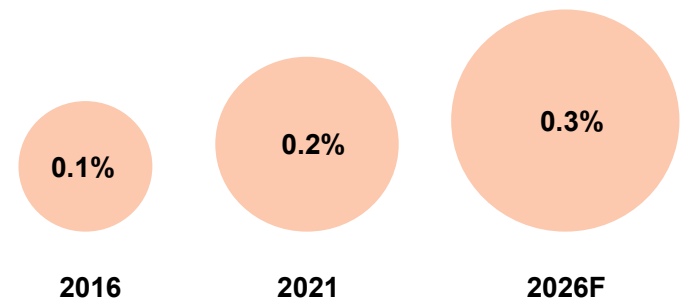
MOSHI operated 109 stores as of 1Q23, or a 17% penetration rate of total shopping malls and hypermarket stores nationwide, we think it is in the very early stages of its expansion cycle. MOSHI targets to open 20 new branches/year of its successful Moshi Moshi format in these three years to reach 165 stores by 2025, and it has identified 400 potential locations from the total existing 620 shopping malls and hypermarkets for the long term. Our assumptions are 20/25/30 new Moshi Moshi branches in 2023-25F, back to the same expansion pace of 22/31/24 branches before COVID in 2017-19. MOSHI is also exploring new store format models, i.e., standalone stores to pilot the franchise model (2024) upcountry (two standalone stores are scheduled to open in 2H23) and shop-in-shops in department stores (2025).

**Ex 13: Lifestyle Goods Market Size – Thailand**



Source: Frost & Sullivan

**Ex 14: Lifestyle Goods To Total Retail Market Size**



Source: Frost & Sullivan

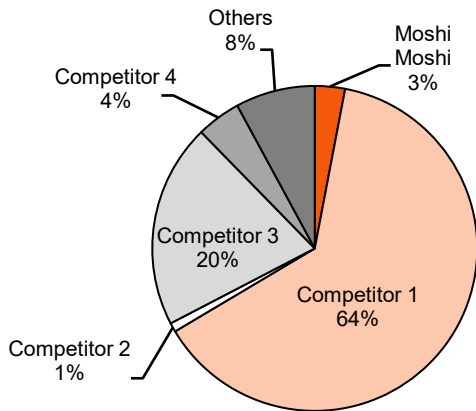
**Ex 15: Key Lifestyle Product Retailers In Thailand**

Player	Founding year	Headquarters	No of stores	No of stores in Bkk & vicinity	% Bkk & vicinity stores	Provinces covered
MOSHI	2016	Thailand	99	34	34	41
Miniso	2016	China	57	34	60	20
Daiso	2003	Japan	107	71	66	28
Komonoya	2009	Thailand	36	19	53	22
MINI MONO	2018	Thailand	18	12	67	9
Just Buy	2016	Thailand	44	9	20	33

Source: Frost & Sullivan

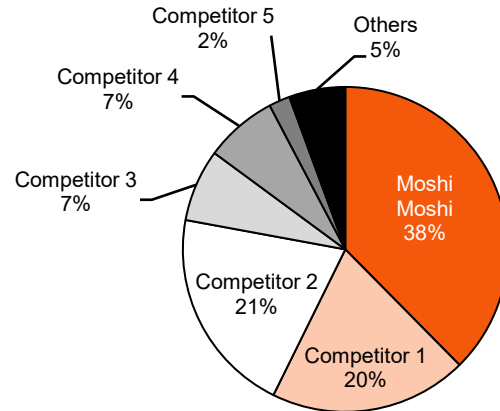
Note: Data as of June 2022

**Ex 16: Market Share – 2016**



Source: Frost & Sullivan

**Ex 17: Market Share – 2021**

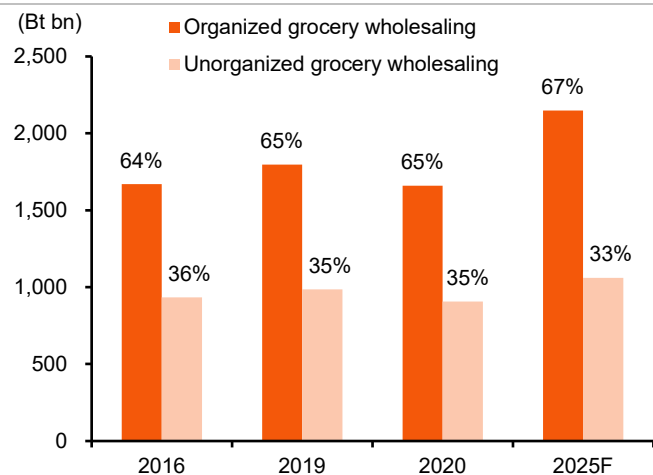


Source: Frost & Sullivan

**Very fragmented wholesale market**

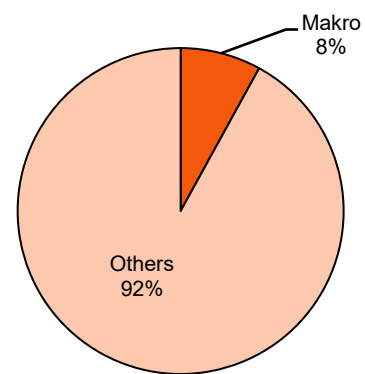
According to Frost & Sullivan, the organized B2B wholesale market penetration rose from 64% in 2016 to 65% in 2020 and is expected at 67% in 2025F. Despite its already high modern-trade market share, Makro cash & carry is the only operator that pops up in our mind, but it had only an 8% share of the total market in 2020. We view the wholesale market as very fragmented, with many wholesalers and wet markets nationwide. Given the large wholesale market size of over Bt2tr, no direct modern-trade competitors, and its very slim net margin by business nature, we think the wholesale industry is in the middle of an expansion cycle. CRC has announced that it intends to be a newcomer with a plan to launch its first wholesale grocery store in 4Q23.

**Ex 18: B2B Grocery Wholesaling Market Value**



Source: Euromonitor (MAKRO's IFA Report)

**Ex 19: Makro's Market Share**

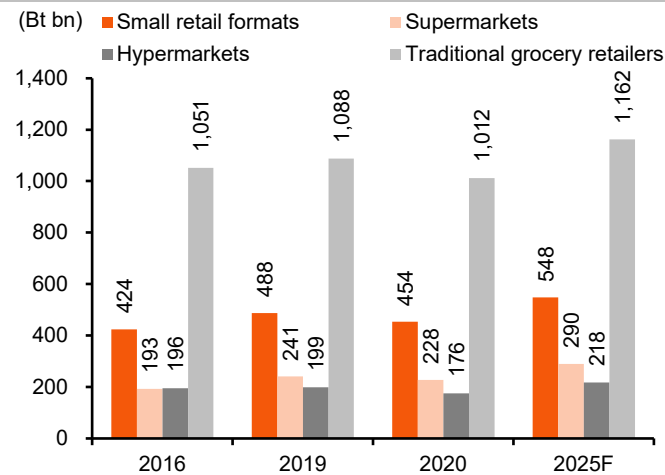


Source: Euromonitor (MAKRO's IFA Report)

**Hypermarket segment is near saturation, in our view**

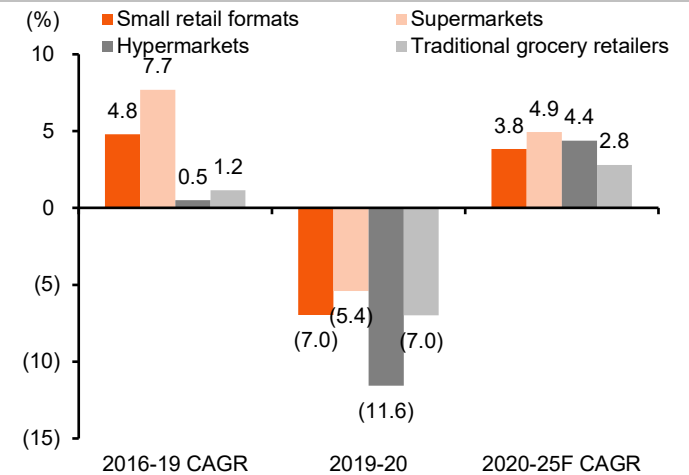
The B2C modern grocery retailing market share rose from 44% in 2016 to 46% in 2020, and we expect this to reach 48% by 2025F. However, by segment, we anticipate strong market growth in the small-format segment and supermarket segment. The hypermarket segment, with only two players, Lotus's and Big C, experienced no market growth during 2016-19, and the market size shrunk in the COVID years. We believe the hypermarket segment is near saturation given plenty of hypermarket branches in Thailand (225 Lotus's hypermarkets, 154 Big C hypermarkets), and the same-store sales of Big C stores are currently some 20% below pre-COVID level while Lotus's are about 10% below.

**Ex 20: B2C Grocery Retailing Market Value**



Source: Euromonitor (MAKRO's IFA Report)

**Ex 21: B2C Growth Rate**



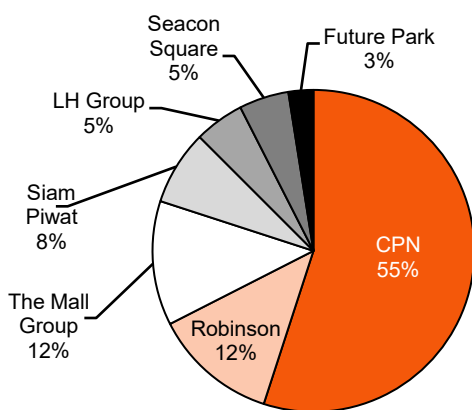
Source: Euromonitor (MAKRO's IFA Report)

**Malls/department stores exist in less than 50% of total provinces**

Thailand's shopping malls and department stores are dominated by the Chirathivat family where the mall business is under Central Pattana (CPN) and the department store business is under Central Retail Corp (CRC). CPN has 38 shopping malls in Thailand located in 20 provinces, and it has a 55% market share (by retail space). Combined with CRC's Robinson lifestyle malls, the family's share is 67.5%. For department stores, CRC operates 75 department stores (51 Robinson and 24 Central department stores) in 36 provinces, and most are located in its CPN and Robinson malls with a 55% market share. Though we don't think there can be malls or department stores in all 77 provinces in Thailand, given the current population and its purchasing power, we believe expansion opportunities exist. CPN plans to launch one to three new shopping malls each year, while CRC plans to open one to two new department stores a year.

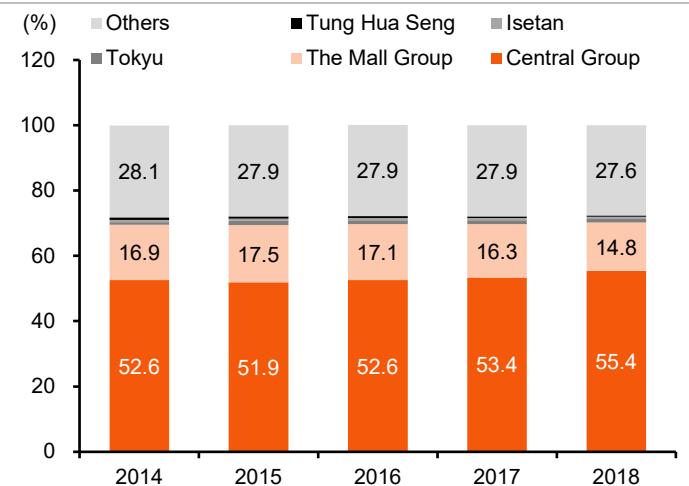
We believe shopping malls are a way of life for Thais, perhaps due in part to it being a country with hot temperatures and strong family values. Mall traffic has bounced back quickly and strongly post-COVID. We believe this is because of the good tenant mix geared towards lifestyle and service offerings. CPN, with its market-leading position, had a 90-92% occupancy rate during COVID (with rental discounts on offer). Its rental rate returned to a normalized level from 1Q23 with 4% discounts (the same as pre-COVID with 3-5% discounts), and we expect average mall traffic at 91% in 2Q23F.

**Ex 22: Shopping Mall Market Shares**



Sources: CPN, Thanachart calculation

**Ex 23: Department Store Market Shares**



Source: CRC

**Home-improvement segment is in a mid-expansion cycle**

Within the home-improvement segment, we classify the market into two sub-segments – home furnishing and decorative, and home building materials. We see HomePro as the only one-stop shopping store for home-related items offering 50,000 product SKUs while competitors are specialty stores such as Boonthavorn tiles and furniture stores (IKEA, SB, Index). As HomePro targets the B customer segment and above and its store locations already cover many areas of Bangkok, we believe the modern-trade penetration rate is at a high 60-70%. But since HMPRO has no direct one-stop competitor, we see room to open new branches on the outskirts of Bangkok as well as in the provinces where purchasing power is increasing along with urbanization and the growing provincial economy. HMPRO targets to launch two to three new HomePro branches this year.

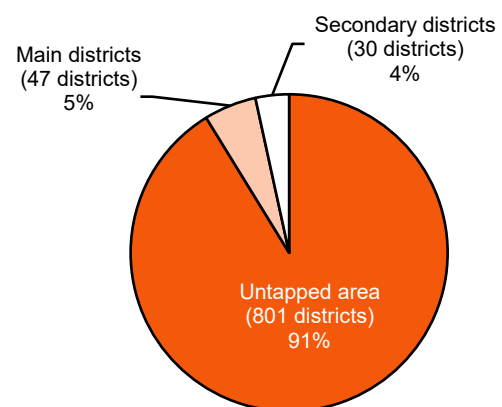
The home building materials segment has expanded in recent years and become increasingly competitive. The provincial market is full of traditional players, and we estimate the modern-trade market share to be below 50%. Given untapped areas in smaller provinces and secondary districts in major provinces, urbanization, and potential government infrastructure project development, leading home building materials operators, i.e., Do Home, Global House, Mega Home, and Thai Watsadu, are expanding at full speed. Thai Watsadu plans to open 14 new stores this year and 10 each in 2024-27. Mega Home intends to launch eight to nine new branches this year with a medium-term target of reaching 50 stores. Global House and Do Home, with continuous expansion over the past years, also hope to launch seven and three new branches this year, respectively.

**Ex 24: Home Improvement Branches**

Brand	Greater Bkk	Upcountry	Total Thailand stores	2023F new stores
Do Home	5	16	21	3
Global House	6	71	77	7
HomePro	30	57	87	2
Mega Home	3	15	18	8-9
Thai Watsadu + BnB	20	50	70	14

Sources: Company data, Thanachart estimates

**Ex 25: GLOBAL’s Exposure In 77 Districts**

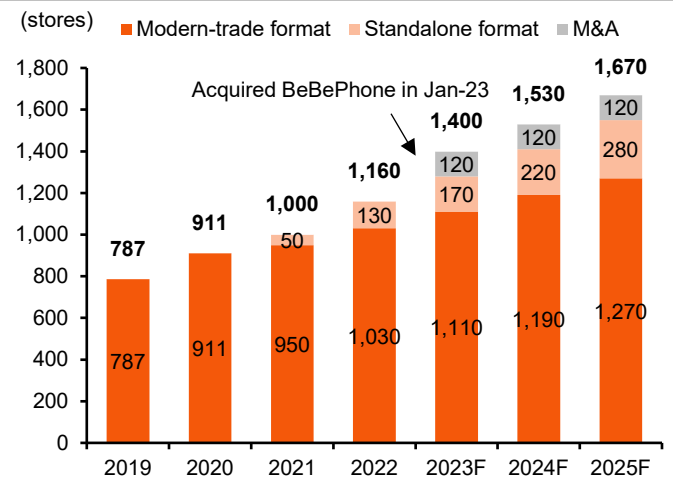


Sources: Company data, Thanachart estimates

**COM7 opened standalone stores in 2021 with 600 more potential stores**

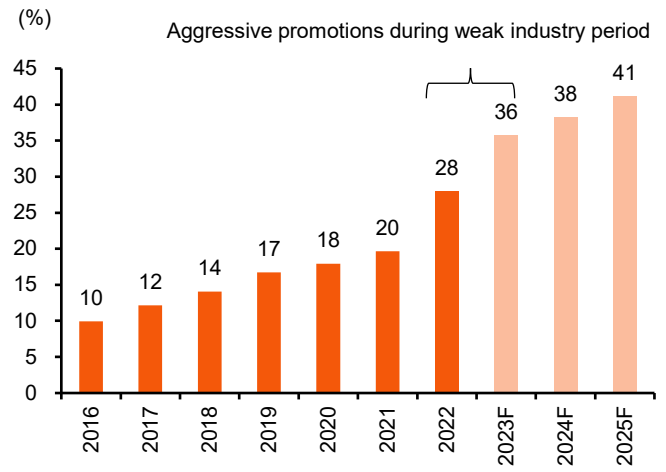
COM7 is an IT product retailer with a 28% market share in 2022 and its revenue scale is 3x larger than that of the second-largest player. Operating over 1,000 branches in 75 provinces, COM7 believes it now can open 120 stores p.a. in 2023-25F, from 100 stores p.a. in 2018-22. Among these, COM7 expects 45-60 stores to be standalones, a store model which COM7 didn't have in its earlier growth period. The standalones began in 2021 and are highly flexible in that COM7 can open them in fresh markets or in high-income areas. COM7 believes it can open standalones in most provinces in Thailand, implying 600 more potential stores over the next five to six years. Despite already having many shops in tier-one stores, COM7 believes it can still open around 80 more modern-trade stores p.a. in 2023-25F vs. 90-100 p.a. in 2018-22. Additionally, COM7 sees more ways to boost its shop numbers in existing tier-one malls. One way is by increasing the size of the existing stores by renting more space from other shops. COM7 can also open different shop brands for different types of clients.

**Ex 26: COM7's Expansion Milestones**



Sources: Company data, Thanachart estimates

**Ex 27: COM7's Market Share**

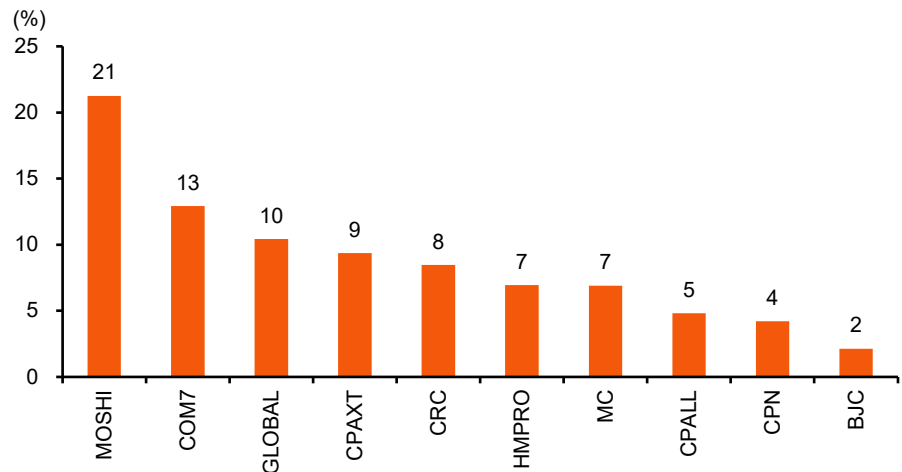


Sources: Company data, Thanachart compilation, Thanachart estimates

**Expansions of branches and gross margin are key growth drivers**

Post-COVID, expansion looks to be back on track. We estimate store expansion growth of 10/9/8% in 2023-25F. By company, we assume the highest three-year expansion CAGR for MOSHI (21%), COM7 (13%), and GLOBAL (10%). The lowest expansion is BJC (2%). Meanwhile, we expect sales growth to resume from a consumption recovery and new store openings to drive gross margin, after a two-year hiccup in 2020-21, on scale benefits, retailers' product strategies to adjust their product mix towards higher-margin goods, and increasing the sales of private labels. We estimate this to boost gross margin by 46/29/29bp in 2023-25F.

**Ex 28: A Three-Year Expansion CAGR (2023-25F)**



Source: Thanachart estimates

**Ex 29: Gross Margin Strategy**

	Segment	Strategy	Private brands	
			Current	Target
BJC	Big C Hypermarket, supermarket, small-format store	Lower low-profitable B2B sales, increase private brand sales	14.6%	25.0%
COM7	IT products, computers, mobiles	Increase sales of private brands and high-margin gadgets & IT accessories	2.0%	5.0%
CPALL	7-Eleven CVS, 59.92% stake in CPAXT	Expand higher-margin products, i.e., ready-to-eat & drinks	7.0%	na
CPAXT	Cash & carry (Makro wholesale)	Grow fresh food sales, increase private label sales mix from a current 17.1%	15.0%	20.0%
	Retail (Lotus's hypermarket)	Grow fresh food sales, increase private label sales mix from a current 12.8%		
CPN	Shopping malls	Rental rate adjustments, economies of scale, cost control	-	-
CRC	Multi-retail stores of food, hardline and fashion	Increase private brand sales mix from a current 5% for fashion, 10% food, 18% Thai Watsadu (to 25%)	10%	13-15%
GLOBAL	Home improvement & building materials	Expand private brand sales to 30%	24.7%	30.0%
HMPRO	Home improvement & furnishing	Expand private brand sales to 25%	20.7%	25.0%
MC	Jeans, clothing	Expand higher-margin products, i.e., non-denim, cost efficiency	100.0%	100.0%
MOSHI	Lifestyle product retailer	Increase imported products from 54% of sales YTD to 60-65%	100.0%	100.0%

Sources: Company data, Thanachart estimates

**Unfinished cyclical recovery**

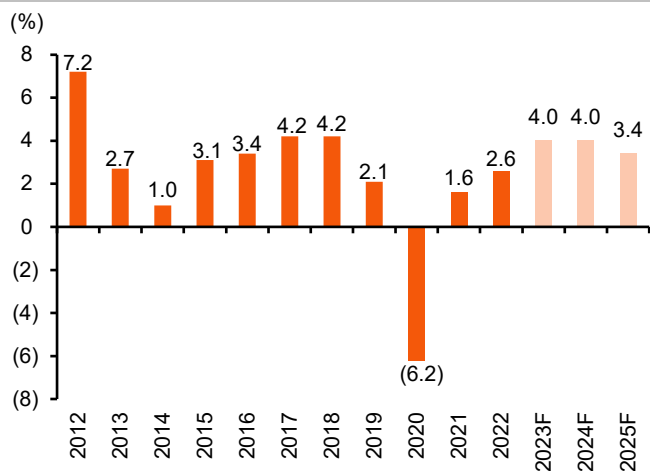
**We expect 8.6/5.4/4.1% SSSG in 2023-25F, above GDP growth**

As of 1Q23, some retailers' same-store sales (SSS) had returned to pre-COVID levels. CPAXT, the operator of Makro Cash & Carry stores, has been a key beneficiary from the switch in spending habits towards bulk grocery shopping at wholesale prices and the cooking-at-home trend, with a rising end-user customer mix. Its SSSG in 1Q23 was 18% above 1Q19's level. Home improvement and decorative stores, GLOBAL and HMPRO, also achieved 3-4% higher SSSG vs. pre-COVID as people spent more on renovating houses.

**Strong 2H23F and 2024F SSSG for stocks with high tourism exposure**

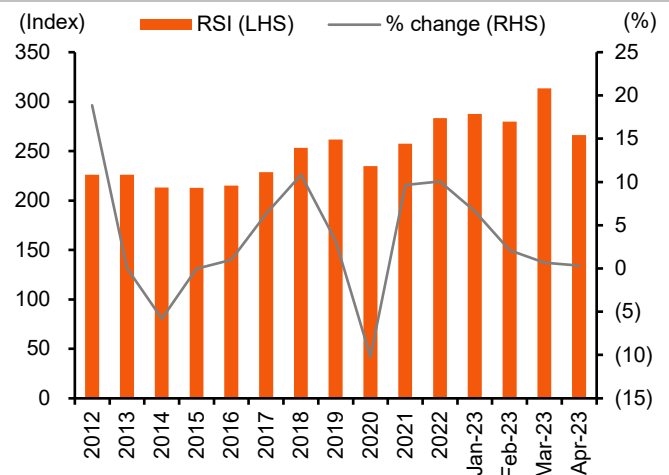
Since the country reopening in May last year, we have seen good progress in the SSS turnaround of the tourism-related stocks, CPALL, CPN, CRC, and MOSHI. As we expect a full tourism recovery in 2024F, we estimate these four retailers to enjoy strong SSSG in 2H23F and into 2024F. We expect only GLOBAL, with its 15% steel sales, which fluctuate along with commodity prices, to post a negative SSSG rate of 5.5% this year. We estimate the sector's SSSG at 8.6/5.4/4.1% in 2023-25F, or 1.6/7.2/11.6% above 2019's. BIGC, the No.2 hypermarket player, has suffered negative quarterly SSSG vs. the pre-COVID level of 20-25% since 2Q20, and they remained 22% below the pre-COVID level in 1Q23. We think it has been losing market share to other retail segments, such as wholesalers, supermarkets, and CVS, with a weaker competitive advantage after CP Group acquired Lotus's, the market leader in the hypermarket space, in 2020.

## Ex 30: Thailand's GDP Growth



Sources: BoT, Thanachart estimates

## Ex 31: Retail Sales index



Sources: BoT, Thanachart estimates

## Ex 32: Quarterly SSSG

(%)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23F	3Q23F	4Q23F
BIGC	(0.1)	2.9	5.2	(2.4)	2.3	1.6	5.0	5.0	0.0
CPALL	1.3	13.0	14.2	22.1	15.0	8.0	7.0	6.0	6.0
CPN	(8.0)	15.0	40.0	102.0	31.3	14.6	13.4	10.0	10.0
CRC	9.0	11.0	24.0	43.0	9.0	13.0	4.0	1.0	3.0
GLOBAL	15.0	7.4	1.5	4.3	(2.2)	(8.7)	(7.5)	(4.0)	(2.0)
HMPRO	11.0	3.1	(1.1)	17.8	2.9	5.8	4.5	2.0	(1.0)
CPAXT	4.1	1.0	7.4	8.9	9.6	10.9	5.5	3.0	4.5
MC	(5.7)	(7.7)	43.0	86.0	14.6	27.6	3.0	5.0	7.0
MOSHI		(3.4)	53.4	149.1	27.1	43.6	21.0	8.0	6.0
<b>Average</b>	<b>3.3</b>	<b>4.7</b>	<b>20.8</b>	<b>47.9</b>	<b>12.2</b>	<b>12.9</b>	<b>6.2</b>	<b>4.0</b>	<b>3.7</b>

Sources: Company data, Thanachart estimates

## Ex 33: Quarterly SSSG Vs. Pre-COVID

(%)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23F	3Q23F	4Q23F
BIGC	(20.9)	(23.6)	(25.2)	(25.1)	(19.1)	(22.4)	(21.4)	(21.3)	(19.1)
CPALL	(16.9)	(10.1)	(7.0)	(5.0)	(4.5)	(2.9)	(0.4)	0.7	1.3
CPN	(29.2)	(16.3)	(15.4)	(11.1)	(7.0)	(4.0)	(4.0)	(2.2)	2.3
CRC	(12.8)	(18.9)	(12.7)	(6.4)	(5.0)	(8.3)	(9.2)	(5.5)	(2.1)
GLOBAL	11.1	13.6	9.7	10.9	8.6	3.7	1.4	6.4	6.5
HMPRO	4.0	(2.6)	(6.7)	1.0	7.0	3.0	(2.5)	3.0	6.0
CPAXT	4.7	6.8	9.8	14.6	14.8	18.4	15.9	18.1	19.9
MC	(14.1)	(23.8)	4.7	0.6	(1.6)	(2.8)	7.8	5.7	5.3
<b>Average</b>	<b>(9.3)</b>	<b>(9.4)</b>	<b>(5.3)</b>	<b>(2.6)</b>	<b>(0.8)</b>	<b>(1.9)</b>	<b>(1.6)</b>	<b>0.6</b>	<b>2.5</b>

Sources: Company data, Thanachart estimates

## Ex 34: Yearly SSSG

(%)	2020	2021	2022	2023F	2024F	2025F
BIGC	(15.2)	(11.0)	2.0	2.9	3.0	3.0
CPALL	(14.5)	(6.7)	15.9	6.8	7.0	3.0
CPN	(34.0)	(8.0)	45.0	12.0	6.0	4.0
CRC	(20.8)	(5.0)	20.0	5.3	6.0	4.9
GLOBAL	(9.0)	18.2	2.5	(5.5)	3.0	3.0
HMPRO	(8.5)	3.4	5.1	2.8	4.0	4.0
CPAXT	1.9	2.5	6.8	6.0	5.0	5.0
MC	(11.9)	0.1	(7.0)	27.0	5.0	5.0
MOSHI	(35.6)	(13.7)	40.5	20.0	10.0	5.0
<b>Average</b>	<b>(16.4)</b>	<b>(2.2)</b>	<b>14.5</b>	<b>8.6</b>	<b>5.4</b>	<b>4.1</b>

Sources: Company data, Thanachart estimates

## Ex 35: Yearly SSSG Vs. Pre-Covid

(%)	2020	2021	2022	2023F	2024F	2025F
BIGC	(15.2)	(24.5)	(23.0)	(20.8)	(18.4)	(16.0)
CPALL	(14.5)	(20.2)	(7.5)	(1.3)	5.6	8.8
CPN	(34.0)	(39.3)	(12.0)	(1.4)	4.5	8.7
CRC	(20.8)	(24.7)	(9.7)	(4.9)	0.8	5.8
GLOBAL	(9.0)	7.5	10.3	4.1	7.3	10.5
HMPRO	(8.5)	(5.4)	(0.6)	2.2	6.3	10.6
CPAXT	1.9	4.4	11.5	18.2	24.1	30.3
MC	(11.9)	(11.8)	(18.0)	4.2	9.4	14.8
MOSHI	(35.6)	(44.4)	(21.9)	(6.3)	3.1	8.2
<b>Average</b>	<b>(16.4)</b>	<b>(18.3)</b>	<b>(6.4)</b>	<b>1.6</b>	<b>7.2</b>	<b>11.6</b>

Sources: Company data, Thanachart estimates

## Top picks; CPALL and CRC

*We cut our earnings on lower SSSG and a potential wage hike*

The delay in the new government's formation and the high possibility of a minimum wage increase, no matter which political party leads the governing coalition, cause us to cut our SSSG assumptions from 10.1/5.6/4.2% in 2023-25F to 8.6/5.4/4.1%. We also raise SG&A from previously as we assume a 10% wage hike each year in 2024-25F. As such, we lower our normalized earnings by 5/8/10% in 2023-25F. In this note, we also roll over the base year for our DCF calculations to 2024F with our TP changes shown in Exhibit 36.

## Ex 36: Key Assumptions

	BJC	COM7	CPALL	CPAXT	CPN	CRC	GLOBAL	HMPRO	MC	MOSHI	Industry <sup>1/</sup>
<b>SSS growth <sup>1/</sup> (%)</b>											
2023F - New	2.9	10.0	6.8	6.0	12.0	5.3	(5.5)	2.8	27.0	20.0	8.6
2023F - Old	4.0	10.0	7.0	7.0	19.1	6.0	(4.5)	5.0	27.0	20.0	10.1
2024F - New	3.0	7.0	7.0	5.0	6.0	6.0	3.0	4.0	5.0	10.0	5.4
2024F - Old	3.0	7.0	7.0	5.0	6.0	6.0	3.0	5.0	5.0	10.0	5.6
2025F - New	3.0	6.0	3.0	5.0	4.0	4.9	3.0	4.0	5.0	5.0	4.1
2025F - Old	3.0	6.0	3.0	5.0	4.0	4.9	3.0	5.0	5.0	5.0	4.2
<b># New stores</b>											
2023F - New	5	240	700	14	1	30	8	10	60	23	1,091
2023F - Old	5	240	700	14	1	30	8	10	60	23	1,091
2024F - New	5	130	700	15	3	26	9	8	40	27	963
2024F - Old	5	130	700	15	2	26	9	8	40	27	962
2025F - New	4	140	700	16	1	26	10	7	40	33	977
2025F - Old	4	140	700	16	1	26	10	7	40	33	977

Sources: Company data, Thanachart estimates

Note: 1/ Industry's SSS growth does not include COM7

2/ BJC's SSS and new stores (hypermarkets, supermarkets, wholesale) are of BIGC

3/ CRC's new stores include only large-format stores ie department stores, RBS Lifestyle malls, Thai Watsadu&amp;BnB home, Tops, Go!Malls

4/ HMPRO's new stores include HomePro and Mega Home (exc. HomePro S)

5/ CPAXT's new stores include Makro classic, eco, food service stores in Thailand, Cambodia, India, Myanmar

## Ex 36: Key Assumptions (Con't)

	BJC	COM7	CPALL	CPAXT	CPN	CRC	GLOBAL	HMPRO	MC	MOSHI	Industry <sup>1/</sup>
<b># stores (YE)</b>											
2023F - New	220	1,400	14,538	160	39	327	86	122	692	129	17,713
2023F - Old	220	1,400	14,538	160	39	327	86	122	692	129	17,713
2024F - New	225	1,530	15,238	175	42	353	95	130	732	156	18,676
2024F - Old	225	1,530	15,238	175	41	353	95	130	732	156	18,675
2025F - New	229	1,670	15,938	191	43	379	105	137	772	189	19,653
2025F - Old	229	1,670	15,938	191	42	379	105	137	772	189	19,652
<b>Gross margin on sales (%)</b>											
2023F - New	18.0	13.6	23.8	14.1	53.0	26.4	25.5	26.3	64.9	52.6	31.8
2023F - Old	17.9	13.6	23.7	14.1	52.2	26.5	25.5	26.4	64.0	52.6	31.6
2024F - New	18.1	13.7	24.0	14.2	55.0	26.6	26.0	26.6	64.3	52.8	32.1
2024F - Old	18.0	13.7	24.0	14.3	54.8	26.6	26.0	26.6	64.3	52.8	32.1
2025F - New	18.1	13.6	24.1	14.4	55.9	26.4	26.4	26.9	64.6	53.5	32.4
2025F - Old	18.0	13.6	24.1	14.4	56.6	26.4	26.4	26.9	64.6	53.5	32.5
<b>Normalized profit (Bt m)</b>											
2023F - New	5,167	3,438	17,569	10,311	11,139	8,827	3,277	6,903	646	379	67,657
2023F - Old	5,535	3,438	20,082	10,695	11,264	8,928	3,306	7,112	620	379	71,359
Change (%)	(6.7)	0.0	(12.5)	(3.6)	(1.1)	(1.1)	(0.9)	(2.9)	4.2	0.0	(5.2)
2024F - New	5,817	4,417	23,137	13,277	12,779	11,246	3,753	7,931	760	542	83,660
2024F - Old	6,158	4,417	27,642	14,071	13,170	11,702	3,791	8,333	760	542	90,585
Change (%)	(5.5)	0.0	(16.3)	(5.6)	(3.0)	(3.9)	(1.0)	(4.8)	0.0	0.0	(7.6)
2025F - New	6,327	5,221	27,596	16,383	13,697	12,976	4,332	8,981	894	738	97,144
2025F - Old	6,637	5,221	33,991	18,110	14,406	13,865	4,444	9,588	894	738	107,894
Change (%)	(4.7)	0.0	(18.8)	(9.5)	(4.9)	(6.4)	(2.5)	(6.3)	(0.0)	0.0	(10.0)
<b>TP (Bt/share)</b>											
New	30.00	38.00	73.00	45.00	80.00	54.00	22.00	18.50	15.00	65.00	
Old	30.00	36.00	75.00	46.00	77.00	53.00	21.50	18.50	14.00	65.00	

Sources: Company data, Thanachart estimates

Note: 1/ Industry's SSS growth does not include COM7

2/ BJC's SSS and new stores (hypermarkets, supermarkets, wholesale) are of BIGC

3/ CRC's new stores include only large-format stores ie department stores, RBS Lifestyle malls, Thai Watsadu&amp;BnB home, Tops, Go!Malls

4/ HMPRO's new stores include HomePro and Mega Home (exc. HomePro S)

5/ CPAXT's new stores include Makro classic, eco, food service stores in Thailand, Cambodia, India, Myanmar

**Our top picks are CPALL and CRC; our small-cap pick is MOSHI**

Our sector picks are CPALL and CRC, as they are enjoying the biggest benefits from both structural and cyclical boosts with above-sector EPS growth in 2024-25F. MOSHI is our choice for a small-cap retail stock that we expect to post the sector's highest 31% five-year EPS CAGR as it is early in the expansion stage of the growing lifestyle product industry.

**Ex 37: CPALL TB - BUY, Price Bt62.75, TP Bt73.00**

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
Norm profit	13,281	17,569	23,137	27,596
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

Sources: Company data; Thanachart estimates

**Ex 38: CRC TB - BUY, Price Bt40.75, TP Bt54.00**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	219,898	245,369	277,998	308,497
Net profit	7,175	8,827	11,246	12,976
Norm profit	6,930	8,827	11,246	12,976
Norm EPS (Bt)	1.1	1.5	1.9	2.2
Norm EPS grw (%)	11,572.9	27.4	27.4	15.4
Norm PE (x)	35.5	27.8	21.9	18.9
EV/EBITDA (x)	10.8	9.4	8.2	7.4
P/BV (x)	4.0	3.6	3.3	3.0
Div yield (%)	1.2	1.4	1.8	2.1
ROE (%)	11.7	13.6	15.0	16.4
Net D/E (%)	101.2	90.7	80.2	63.9

Sources: Company data; Thanachart estimates

**Ex 39: MOSHI TB - BUY, Price Bt54.50, TP Bt65.00**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	1,890	2,682	3,513	4,339
Net profit	253	379	542	738
Norm profit	253	379	542	738
Norm EPS (Bt)	0.9	1.1	1.6	2.2
Norm EPS grw (%)	90.8	21.0	43.2	36.1
Norm PE (x)	57.5	47.5	33.2	24.4
EV/EBITDA (x)	22.4	22.3	17.2	13.3
P/BV (x)	11.2	12.8	10.2	8.0
Div yield (%)	6.0	0.8	1.2	1.6
ROE (%)	19.7	25.1	30.8	36.8
Net D/E (%)	(46.9)	(45.4)	(51.4)	(62.5)

Sources: Company data; Thanachart estimates

**CPALL: Gaining strength**

- *Cyclical turnaround:* Thanks to a quick product adjustment, 7Delivery service, and price increases to reflect inflation, 7-Eleven's SSSG and total product margin have returned to pre-COVID levels. With a full tourism recovery next year, we estimate 6/7% SSSG in 2H23F and 2024F.
- *Structural drivers:* We expect its 700 p.a. store expansion pace to be maintained for many years due to its highly successful store model and market share gains from mom & pop shops and weakening rivals. A rising high-margin sales mix would drive gross margin up further.
- Strong profit from its 59.92% subsidiary, CPAXT, from 3Q23F after Lotus's debt restructuring is completed.

Sources: Company data; Thanachart estimates

**CRC: A growth stock beyond COVID**

- As a multi-store retailer, we expect earnings to double in four years from department store remodeling, a new food business strategy, and aggressive hardline store openings.
- Enjoying an unfinished earnings turnaround with 27/27% core EPS growth in 2023-24F.
- Future value unlocking from its successful omnichannel platform (18% of sales) and potential M&As.
- Exploring new store formats and new businesses. A sizable new retail format (a new food wholesale business) is due to be launched in 4Q23F.

Sources: Company data; Thanachart estimates

**MOSHI: A star is born**

- Listed just late last year, MOSHI is a hard-to-find business in Thailand offering an early expansion and growth cycle story.
- It is a market leader in the blue ocean industry of lifestyle products with very few competitors.
- MOSHI is at the inception stage of growth with strong growth prospects from plenty of room for branch and product expansion.
- A highly profitable firm with high and rising ROE with no interest-bearing debt.

Sources: Company data; Thanachart estimates

**Ex 40: BJC TB - SELL, Price Bt34.75, TP Bt30.00**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	150,338	160,915	169,572	178,100
Net profit	5,010	5,167	5,817	6,327
Norm profit	4,969	5,167	5,817	6,327
Norm EPS (Bt)	1.2	1.3	1.5	1.6
Norm EPS grw (%)	45.0	4.0	12.6	8.8
Norm PE (x)	27.9	26.8	23.8	21.9
EV/EBITDA (x)	14.2	13.2	12.5	11.5
P/BV (x)	1.2	1.2	1.1	1.1
Div yield (%)	1.9	2.6	2.9	3.2
ROE (%)	4.2	4.3	4.8	5.1
Net D/E (%)	117.0	121.3	114.9	107.1

Sources: Company data; Thanachart estimates

**Ex 41: COM7 TB - BUY, Price Bt28.50, TP Bt38.00**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	62,733	71,958	82,537	93,094
Net profit	3,038	3,438	4,417	5,221
Norm profit	3,040	3,438	4,417	5,221
Norm EPS (Bt)	1.3	1.4	1.8	2.2
Norm EPS grw (%)	13.9	13.1	28.5	18.2
Norm PE (x)	22.5	19.9	15.5	13.1
EV/EBITDA (x)	15.6	13.9	11.0	9.5
P/BV (x)	9.6	7.9	6.4	5.5
Div yield (%)	2.6	3.0	3.8	6.6
ROE (%)	48.9	43.4	45.4	45.1
Net D/E (%)	55.6	43.1	33.4	31.8

Sources: Company data; Thanachart estimates

**Ex 42: CPAXT TB - BUY, Price Bt35.00, TP Bt45.00**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	466,082	506,419	554,421	602,777
Net profit	7,697	10,311	13,277	16,383
Norm profit	7,697	10,311	13,277	16,383
Norm EPS (Bt)	0.7	1.0	1.3	1.5
Norm EPS grw (%)	(35.6)	34.0	28.8	23.4
Norm PE (x)	48.1	35.9	27.9	22.6
EV/EBITDA (x)	14.3	13.6	11.8	10.2
P/BV (x)	1.3	1.2	1.2	1.2
Div yield (%)	1.5	2.1	2.7	3.3
ROE (%)	2.7	3.5	4.4	5.3
Net D/E (%)	24.6	23.8	22.6	19.7

Sources: Company data; Thanachart estimates

**Ex 43: CPN TB - BUY, Price Bt65.75, TP Bt80.00**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	36,343	38,413	41,816	43,889
Net profit	10,760	12,528	14,146	14,255
Norm profit	10,030	11,139	12,779	13,697
Norm EPS (Bt)	2.2	2.5	2.8	3.1
Norm EPS grw (%)	196.8	11.1	14.7	7.2
Norm PE (x)	29.4	26.5	23.1	21.5
EV/EBITDA (x)	18.2	17.1	15.1	13.9
P/BV (x)	3.6	3.3	3.0	2.8
Div yield (%)	1.7	1.7	1.9	1.9
ROE (%)	13.0	13.1	13.7	13.4
Net D/E (%)	83.1	84.1	78.0	75.5

Sources: Company data; Thanachart estimates

**Ex 44: GLOBAL TB - BUY, Price Bt16.10, TP Bt22.00**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	35,270	34,482	37,894	41,658
Net profit	3,487	3,277	3,753	4,332
Norm profit	3,533	3,277	3,753	4,332
Norm EPS (Bt)	0.7	0.7	0.8	0.9
Norm EPS grw (%)	5.5	(7.4)	14.4	15.4
Norm PE (x)	22.7	24.6	21.5	18.6
EV/EBITDA (x)	18.4	18.6	16.4	14.2
P/BV (x)	3.7	3.3	3.0	2.7
Div yield (%)	1.5	1.4	1.6	1.9
ROE (%)	17.1	14.3	14.8	15.4
Net D/E (%)	54.0	43.3	39.4	32.3

Sources: Company data; Thanachart estimates

**Ex 45: HMPRO TB - BUY, Price Bt14.00, TP Bt18.50**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	66,811	72,974	81,606	89,293
Net profit	6,217	6,903	7,931	8,981
Norm profit	6,217	6,903	7,931	8,981
Norm EPS (Bt)	0.5	0.5	0.6	0.7
Norm EPS grw (%)	14.3	11.0	14.9	13.2
Norm PE (x)	29.6	26.7	23.2	20.5
EV/EBITDA (x)	17.3	15.3	13.7	12.3
P/BV (x)	7.6	7.3	6.8	6.3
Div yield (%)	2.7	3.0	3.4	3.9
ROE (%)	26.4	28.0	29.3	31.9
Net D/E (%)	40.8	46.5	48.5	45.7

Sources: Company data; Thanachart estimates

**Ex 46: MC TB - BUY, Price Bt12.20, TP Bt15.00**

Y/E Jun (Bt m)	2022A	2023F	2024F	2025F
Sales	2,923	3,614	4,182	4,758
Net profit	486	646	760	894
Norm profit	486	646	760	894
Norm EPS (Bt)	0.6	0.8	1.0	1.1
Norm EPS grw (%)	9.0	33.0	17.7	17.7
Norm PE (x)	19.9	15.0	12.7	10.8
EV/EBITDA (x)	8.0	6.7	6.6	5.9
P/BV (x)	2.6	2.6	2.5	2.5
Div yield (%)	4.9	6.6	7.8	9.0
ROE (%)	13.4	17.4	20.1	23.1
Net D/E (%)	(54.3)	(51.4)	(51.0)	(49.2)

Sources: Company data; Thanachart estimates

## Ex 47: Sector Valuation Comparison

		BJC	COM7	CPALL	CPAXT	CPN	CRC	GLOBAL	HMPRO	MC	MOSHI	Industry
<b>Rating</b>		<b>SELL</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	
<b>Target price</b>	<b>Thanachart</b>	<b>30.00</b>	<b>38.00</b>	<b>73.00</b>	<b>45.00</b>	<b>80.00</b>	<b>54.00</b>	<b>22.00</b>	<b>18.50</b>	<b>15.00</b>	<b>65.00</b>	
	Consensus	44.00	37.25	74.00	41.00	82.00	50.55	19.70	17.00	15.15	50.00	
<b>Consensus rec.</b>	Buy	15	12	27	12	20	19	7	21	4	3	
	Hold	2	1	3	6	4	5	11	5	1	2	
	Sell	1	0	0	2	0	0	0	0	0	0	
<b>Sales (Bt m)</b>	2022	150,338	62,733	852,322	466,082	36,343	219,898	35,270	66,811	2,923	1,890	1,894,609
	2023F	160,915	71,958	938,997	506,419	38,413	245,369	34,482	72,974	3,614	2,682	2,075,823
	2024F	169,572	82,537	1,037,727	554,421	41,816	277,998	37,894	81,606	4,182	3,513	2,291,265
	2025F	178,100	93,094	1,122,770	602,777	43,889	308,497	41,658	89,293	4,758	4,339	2,489,176
<b>Norm profits (Bt m)</b>	2022	4,969	3,040	13,281	7,697	10,030	6,930	3,533	6,217	486	253	56,437
	2023F	5,167	3,438	17,569	10,311	11,139	8,827	3,277	6,903	646	379	67,657
	2024F	5,817	4,417	23,137	13,277	12,779	11,246	3,753	7,931	760	542	83,660
	2025F	6,327	5,221	27,596	16,383	13,697	12,976	4,332	8,981	894	738	97,144
<b>Sales growth (%)</b>	2022	8.6	22.7	45.5	75.6	48.2	21.0	5.3	8.1	(9.2)	50.5	27.6
	2023F	7.0	14.7	10.2	8.7	5.7	11.6	(2.2)	9.2	23.7	41.9	13.0
	2024F	5.4	14.7	10.5	9.5	8.9	13.3	9.9	11.8	15.7	31.0	13.1
	2025F	5.0	12.8	8.2	8.7	5.0	11.0	9.9	9.4	13.8	23.5	10.7
<b>Norm profit growth (%)</b>	2022	45.0	13.9	52.5	10.4	196.8	11,573	5.7	14.3	9.0	92.9	48.9
	2023F	4.0	13.1	32.3	34.0	11.1	27.4	(7.2)	11.0	33.0	49.7	20.1
	2024F	12.6	28.5	31.7	28.8	14.7	27.4	14.5	14.9	17.7	43.2	23.4
	2025F	8.8	18.2	19.3	23.4	7.2	15.4	15.4	13.2	17.7	36.1	17.5
<b>Norm EPS growth (%)</b>	2022	45.0	13.9	59.4	(35.6)	196.8	11,573	5.5	14.3	9.0	90.8	44.3
	2023F	4.0	13.1	35.3	34.0	11.1	27.4	(7.4)	11.0	33.0	21.0	18.2
	2024F	12.6	28.5	36.2	28.8	14.7	27.4	14.4	14.9	17.7	43.2	23.8
	2025F	8.8	18.2	19.7	23.4	7.2	15.4	15.4	13.2	17.7	36.1	17.5
<b>Gross margin (%)</b>	2022	18.4	13.4	23.6	16.4	50.4	27.4	25.8	27.0	64.7	52.4	32.0
	2023F	18.9	13.6	23.8	16.3	53.0	28.3	25.5	27.3	64.9	52.6	32.4
	2024F	19.0	13.7	24.0	16.6	55.0	28.3	26.0	27.6	64.3	52.8	32.7
	2025F	19.0	13.6	24.1	16.8	55.9	28.2	26.4	27.9	64.6	53.5	33.0
<b>SG&amp;A/Sales (%)</b>	2022	19.9	7.3	19.4	13.5	18.0	29.3	15.2	18.7	44.7	34.6	22.1
	2023F	20.3	7.4	19.5	13.3	18.5	29.2	15.4	18.9	43.0	34.0	22.0
	2024F	20.2	6.7	19.4	13.3	18.0	28.9	15.3	19.0	42.3	33.0	21.6
	2025F	20.1	6.4	19.3	13.2	17.5	28.7	15.2	18.9	42.0	32.0	21.3
<b>Net margin (%)</b>	2022	3.8	4.8	1.8	1.5	23.6	3.0	9.7	9.3	16.6	13.4	8.8
	2023F	3.6	4.8	2.0	1.7	24.9	3.4	9.1	9.5	17.9	14.1	9.1
	2024F	3.8	5.4	2.5	2.2	27.0	3.9	9.5	9.7	18.2	15.4	9.8
	2025F	3.8	5.6	2.8	2.6	28.4	4.1	10.1	10.1	18.8	17.0	10.3
<b>ROE (%)</b>	2022	4.2	48.9	13.0	2.7	13.0	11.7	17.1	26.4	13.4	19.7	17.0
	2023F	4.3	43.4	16.7	3.5	13.1	13.6	14.3	28.0	17.4	25.1	17.9
	2024F	4.8	45.4	19.8	4.4	13.7	15.8	14.8	30.4	20.1	34.3	20.3
	2025F	5.1	45.1	21.1	5.3	13.4	16.4	15.4	31.9	23.1	36.8	21.4
<b>Norm PE (x)</b>	2022	27.9	22.5	45.9	48.1	29.4	35.5	22.7	29.6	19.9	57.5	31.3
	2023F	26.8	19.9	33.9	35.9	26.5	27.8	24.6	26.7	15.0	47.5	28.5
	2024F	23.8	15.5	24.9	27.9	23.1	21.9	21.5	23.2	12.7	33.2	22.8
	2025F	21.9	13.1	20.8	22.6	21.5	18.9	18.6	20.5	10.8	24.4	19.3
<b>Dividend yield (%)</b>	2022	1.9	2.6	1.2	1.5	1.7	1.2	1.5	2.7	4.9	6.0	2.5
	2023F	2.6	3.0	1.5	2.1	1.7	1.4	1.4	3.0	6.6	0.8	2.4
	2024F	2.9	3.8	2.0	2.7	1.9	1.8	1.6	3.4	7.8	1.2	2.9
	2025F	3.2	6.6	2.4	3.3	1.9	2.1	1.9	3.9	9.0	1.6	3.6
<b>Net D/E (x)</b>	2022	1.2	0.6	1.0	0.2	0.8	1.0	0.5	0.4	(0.5)	(0.5)	0.5
	2023F	1.2	0.4	1.0	0.2	0.8	0.9	0.4	0.5	(0.5)	(0.5)	0.5
	2024F	1.1	0.3	0.9	0.2	0.8	0.8	0.4	0.5	(0.5)	(0.5)	0.4
	2025F	1.1	0.3	0.8	0.2	0.8	0.6	0.3	0.5	(0.5)	(0.6)	0.3

Source: Bloomberg

Note: Thanachart estimates, using normalized EPS

## Valuation Comparison

### Ex 48: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			23F (%)	24F (%)	23F (x)	24F (x)	23F (x)	24F (x)	23F (x)	24F (x)	23F (%)	24F (%)
<b>Home Improvement</b>												
ACE HARDWARE	ACES IJ	Indonesia	23.6	17.7	18.4	15.6	2.1	1.9	10.3	9.2	2.9	2.9
Komeri Co Ltd	8218 JP	Japan	(1.6)	7.3	8.6	8.0	0.6	0.6	4.6	4.4	1.7	1.8
Wilcon Depot Inc	WLCON PM	Philippines	19.5	14.1	22.7	19.9	4.3	3.5	12.7	11.2	1.4	1.6
Kingfisher	KGF LN	UK	(19.4)	(14.7)	8.7	10.2	0.7	0.7	4.9	5.3	4.9	4.9
Home Depot Inc	HD US	USA	(9.5)	5.5	21.0	19.9	na	na	14.7	14.2	2.6	2.8
Lowe's Cos Inc	LOW US	USA	(2.0)	9.1	17.1	15.7	na	na	12.4	12.0	1.9	2.1
<b>Convenience Store</b>												
Lawson	2651 JP	Japan	26.7	37.9	28.7	20.8	2.4	2.4	9.0	6.8	2.2	3.0
Seven & I Holdings	3382 JP	Japan	32.7	1.1	18.2	18.0	1.5	1.5	7.8	7.5	1.9	2.0
Dairy Farm International	D01 SP	Singapore	na	51.4	20.7	13.7	3.7	3.2	6.4	7.1	3.6	5.6
President Chain Store	2912 TT	Taiwan	12.6	8.8	26.5	24.4	7.2	6.8	10.3	9.6	3.3	3.5
Alimentation Couche-Tard	ATD/B CN	Canada	14.1	(0.8)	na	na	na	na	10.6	10.7	na	na
Dairy Farm Intl Hldgs Ltd	DFI SP	Hong Kong	na	51.4	20.7	13.7	3.7	3.2	6.4	7.1	3.6	5.6
7-Eleven Malaysia	SEM MK	Malaysia	(9.0)	18.3	28.3	23.9	10.3	8.0	8.5	8.9	1.6	1.9
Lotte Corp	004990 KS	South Korea	2.9	(3.2)	7.5	7.8	0.6	0.5	10.7	11.5	6.8	7.6
<b>Hypermarket/ Supermarket</b>												
Beijing Hualian	600361 CH	China	18.5	12.5	15.9	14.1	2.3	2.0	10.0	8.7	na	na
Yonghui Superstores	601933 CH	China	148.9	88.4	75.6	40.1	3.8	3.5	18.1	15.1	0.4	1.4
Carrefour SA	CA FP	France	13.9	23.5	10.2	8.3	1.1	1.0	5.6	5.1	3.5	4.0
Casino Guichard	CO FP	France	128.2	na	25.3	na	0.1	0.1	6.4	6.9	0.0	0.0
Aeon	8267 JP	Japan	129.1	(1.4)	91.1	92.4	2.5	2.6	9.4	8.9	1.3	1.3
Tesco	TSCO LN	UK	(1.4)	1.4	11.0	10.9	1.2	1.4	6.7	6.7	4.6	4.7
Best Buy Co Inc	BBY US	USA	(8.4)	12.5	13.8	12.3	6.1	6.4	6.9	6.5	4.4	4.7
Wal-Mart Stores	WMT US	USA	2.1	10.7	24.8	22.4	5.0	4.6	12.3	11.6	1.5	1.5
<b>Department Store</b>												
Lotte Shopping	023530 KS	South Korea	160.7	30.8	12.1	9.3	0.2	0.2	9.4	9.1	7.1	4.9
Shinsegae	004170 KS	South Korea	1.4	12.0	5.1	4.5	0.4	0.4	6.1	5.8	1.9	2.0
Berli Jucker *	BJC TB	Thailand	4.0	12.6	26.8	23.8	1.2	1.1	13.2	12.5	2.6	2.9
COM7 *	COM7 TB	Thailand	13.1	28.5	19.9	15.5	7.9	6.4	13.9	11.0	3.0	3.8
CP All*	CPALL TB	Thailand	35.3	36.2	33.9	24.9	5.1	4.6	12.9	11.2	1.5	2.0
CP Axtra *	CPAXT TB	Thailand	34.0	28.8	35.9	27.9	1.2	1.2	13.6	11.8	2.1	2.7
Central Pattana *	CPN TB	Thailand	11.1	14.7	26.5	23.1	3.3	3.0	17.1	15.1	1.7	1.9
Central Retail Corp. *	CRC TB	Thailand	27.4	27.4	27.8	21.9	3.6	3.3	9.4	8.2	1.4	1.8
Siam Global House *	GLOBAL TB	Thailand	(7.4)	14.4	24.6	21.5	3.3	3.0	18.6	16.4	1.4	1.6
Home Product*	HMPRO TB	Thailand	11.0	14.9	26.7	23.2	7.3	6.8	15.3	13.7	3.0	3.4
MC Group *	MC TB	Thailand	33.0	17.7	15.0	12.7	2.6	2.5	6.7	6.6	6.6	7.8
Moshi Moshi Retail *	MOSHI TB	Thailand	21.0	43.2	47.5	33.2	12.8	10.2	22.3	17.2	0.8	1.2
<b>Average</b>			<b>27.1</b>	<b>19.2</b>	<b>24.7</b>	<b>20.4</b>	<b>3.5</b>	<b>3.1</b>	<b>10.7</b>	<b>9.8</b>	<b>2.7</b>	<b>3.1</b>

Sources: Company data, \*Thanachart estimates

Based on 19 July 2023 closing prices

## STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
<b>SET Index</b>	<b>(0.1)</b>	<b>(1.8)</b>	<b>(0.2)</b>	<b>(7.9)</b>	—	—	—	—
<b>Retail Sector</b>	<b>(1.7)</b>	<b>(0.6)</b>	<b>9.1</b>	<b>(1.2)</b>	<b>(1.6)</b>	<b>1.2</b>	<b>9.3</b>	<b>6.7</b>
BJC	(4.1)	(9.2)	11.2	(1.4)	(4.1)	(7.3)	11.4	6.5
COM7	4.6	0.9	4.6	(16.2)	4.6	2.7	4.8	(8.3)
CPALL	(2.0)	(2.0)	2.9	(8.1)	(1.9)	(0.1)	3.0	(0.1)
CPAXT	(4.8)	(8.5)	2.2	(12.5)	(4.7)	(6.7)	2.4	(4.6)
CPN	(3.7)	(5.1)	6.9	(7.4)	(3.6)	(3.2)	7.1	0.5
CRC	2.5	(6.9)	16.4	(11.9)	2.6	(5.0)	16.6	(4.0)
GLOBAL	(4.7)	(8.0)	(3.1)	(25.1)	(4.7)	(6.2)	(2.9)	(17.2)
HMPRO	1.4	0.0	9.4	(9.7)	1.5	1.8	9.5	(1.8)
MC	(9.6)	17.3	31.2	16.2	(9.6)	19.1	31.4	24.1
MOSHI	3.8	15.3	na	64.2	3.9	17.1	na	72.2

Source: Bloomberg

## SECTOR - SWOT ANALYSIS

**S — Strength**

- Market consolidation with a rapid transition to modern trade at the expense of traditional trade.
- A few key players are capturing more market share. High economies of scale raise bargaining power and erect barriers to new entrants.
- The sector is highly capital intensive. Thai retailers have strong financials, either via net cash or low gearing.

**O — Opportunity**

- Low penetration rate and rising spending power upcountry.
- Strong domestic economy and Thai populism.
- A further delay in the RWBA is likely.

**W — Weakness**

- Fierce competition by business nature.
- Limited pricing power.

**T — Threat**

- Economic slowdown, natural disasters and risk of theft.
- New competition in some segments, i.e., home improvement and small-format stores.
- Risk of government regulation and intervention.

## REGIONAL COMPARISON

Name	— EPS growth —		— PE —		— P/BV —		— EV/EBITDA —		— Div. Yield —	
	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
China	83.7	50.4	45.7	27.1	3.0	2.8	14.1	11.9	0.4	1.4
France	71.1	23.5	17.8	8.3	0.6	0.5	6.0	6.0	1.7	2.0
Indonesia	23.6	17.7	18.4	15.6	2.1	1.9	10.3	9.2	2.9	2.9
Japan	46.7	11.2	36.7	34.8	1.8	1.8	7.7	6.9	1.8	2.0
Singapore	na	51.4	20.7	13.7	3.7	3.2	6.4	7.1	3.6	5.6
South Korea	55.0	13.2	8.3	7.2	0.4	0.4	8.7	8.8	5.3	4.8
Taiwan	12.6	8.8	26.5	24.4	7.2	6.8	10.3	9.6	3.3	3.5
UK	(10.4)	(6.6)	9.9	10.5	1.0	1.0	5.8	6.0	4.7	4.8
USA	(4.4)	9.5	19.2	17.6	5.5	5.5	11.6	11.1	2.6	2.8
Thailand*	18.2	23.8	28.5	22.8	4.8	4.2	14.3	12.4	2.4	2.9
<b>Average</b>	<b>32.9</b>	<b>20.3</b>	<b>23.2</b>	<b>18.2</b>	<b>3.0</b>	<b>2.8</b>	<b>9.5</b>	<b>8.9</b>	<b>2.9</b>	<b>3.3</b>

Source: Bloomberg Consensus

Note : \*Thanachart estimates

**SELL** (Unchanged)

Change in Numbers

**TP: Bt 30.00** (Unchanged)

**Downside : 13.7%**

**20 JULY 2023**

## Berli Jucker Pcl (BJC TB)

### Far from pre-COVID

We remain a SELLer of BJC as we expect it to be a challenging task for BIGC hypermarket to return to its pre-COVID profit level. With a slower earnings growth outlook at an 8% three-year EPS CAGR, we regard its current valuation as expensive.



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#### Cutting our earnings

BIGC contributed 64% of BJC's sales and 75% of normalized profit in 2022. As we lower our same-store sales (SSS) growth assumptions for BIGC to 2.9/3/3% in 2023-25F (from 4/3/3% previously) and revise up BIGC's SG&A/sales ratio to 25.9/25.6/25.4% in those years (from 25.3/25.0/24.7%) to reflect cost pressure from higher utility expenses, while factoring in wage increases in 2024-25F, we lower our earnings estimates by 5-7% in 2023-25F. With the rollover of our base year to 2024F, our DCF-based 12-month TP remains unchanged at Bt30/share, and we reaffirm our SELL rating on the stock.

#### Far from pre-COVID level

BJC's core profit last year recovered to only 68% of 2019's level. The main reason was BIGC's weaker performance, with net profit falling from Bt6.4bn in 2019 before COVID to Bt3.7bn in 2022. BIGC's merchandise sales came to Bt96bn, 23% below the figure in 2019. Income from space rental checked in at Bt9bn, 21% short of 2019's number. With falling sales, the company's SG&A/sales ratio increased to 25.0% in 2022 from 23.7% in 2019. We believe this was because of falling customer traffic at hypermarkets as a result of COVID and fierce hypermarket competition after the CP Group acquired the No.1 hypermarket player, Tesco (now rebranded as Lotus's) in 2020. BIGC's same-store sales (SSS) last year were at 79% of the 2019 figure, and we didn't see an improvement in 1H23F with SSS vs. pre-COVID at 78% in 1Q23 (+1.6% SSS) and 79% in 2Q23F (+5% SSS).

#### Expansion opportunities look limited

As of 1Q23, BIGC operated 154 hypermarkets, 61 supermarkets, 1,455 Mini Big C branches (including 20 stores in Cambodia), and 146 Pure drugstores. We believe the hypermarket segment in Thailand is near maturity, given that the extensive store network nationwide SSS of both Lotus's and BIGC are still below their pre-COVID levels by 10% and 20%, respectively. We believe this reflects a shift in demand away from hypermarkets to other segments, i.e., wholesale and convenience stores (CVS). We assume two new hypermarket stores are opened this year, while we cut our assumption for new Mini Big Cs to 100 branches this year, down from 150 earlier, vs the company's 200 new-store target (six net new openings in 1Q23).

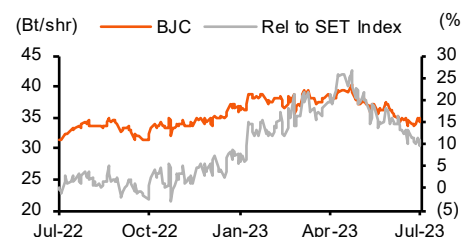
#### Reaffirming SELL

Despite BIGC's low earnings base, we estimate an 8% three-year EPS CAGR in 2023-25F. With the slower earnings growth outlook vs. its sector peers, BJC looks expensive in our view, trading at PE multiples of 26.8x in 2023F and 23.8x in 2024F.

#### COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	150,338	160,915	169,572	178,100
Net profit	5,010	5,167	5,817	6,327
Consensus NP	—	5,913	6,875	7,742
Diff frm cons (%)	—	(12.6)	(15.4)	(18.3)
Norm profit	4,969	5,167	5,817	6,327
Prev. Norm profit	—	5,535	6,158	6,637
Chg frm prev (%)	—	(6.7)	(5.5)	(4.7)
Norm EPS (Bt)	1.2	1.3	1.5	1.6
Norm EPS grw (%)	45.0	4.0	12.6	8.8
Norm PE (x)	27.9	26.8	23.8	21.9
EV/EBITDA (x)	14.2	13.2	12.5	11.5
P/BV (x)	1.2	1.2	1.1	1.1
Div yield (%)	1.9	2.6	2.9	3.2
ROE (%)	4.2	4.3	4.8	5.1
Net D/E (%)	117.0	121.3	114.9	107.1

#### PRICE PERFORMANCE



#### COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	34.75
Market Cap (US\$ m)	4,087.3
Listed Shares (m shares)	4,007.8
Free Float (%)	25.0
Avg Daily Turnover (US\$ m)	4.9
12M Price H/L (Bt)	40.25/31.25
Sector	Commerce
Major Shareholder	TCC Corporation 45.68%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report ..... P25



**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	21,783	23,095	24,279	24,805	25,953	27,130	28,047	28,112	28,972	29,846	30,735	
Free cash flow	12,323	14,553	15,760	16,198	17,266	18,364	20,724	20,723	21,515	22,319	23,137	369,757
PV of free cash flow	12,323	12,600	12,697	12,142	11,789	11,617	12,148	11,255	10,825	10,405	9,540	152,468
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	7.5											
Terminal growth (%)	2.0											
Enterprise value	279,807											
Net debt	153,818											
Minority interest	6,457											
Equity value	119,532											
# of shares	3,991											
<b>Equity value/share (Bt)</b>	<b>30.00</b>											

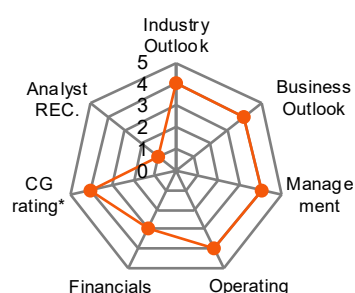
Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Berli Jucker Pcl (BJC) was set up more than 130 years ago. Its businesses relate to the trading, manufacturing, and servicing fields, which can be classified into four main groups: industrial supply chain, consumer supply chain, healthcare and technical supply chain, and retail. It acquired a 99.85% stake in Big C Supercenter (BIGC), which provided it with a full retail value chain and a multi-format retail platform in the region.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strengths

- BJC is the largest glass-bottle manufacturer in Southeast Asia, and its can-making business ranks No.1 in Thailand.
- Strong retail platform of the TCC Group.

### O — Opportunities

- The higher growth rates of economies in Indochina should provide opportunities for BJC.
- The slow development of the modern-trade business in Indochina should allow BJC to expand in the region and fully integrate its supply chain into the consumer business.

### W — Weakness

- BJC has just started to penetrate the retail markets in neighboring countries.
- The BIGC acquisition came with a huge interest burden which raised BJC's net gearing to above 1x.

### T — Threat

- Aggressive expansion by new modern-trade stores and outlets.
- Hypermarket competition in Thailand.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	43.00	30.00	-30%
<b>Net profit 23F (Bt m)</b>	5,913	5,167	-13%
<b>Net profit 24F (Bt m)</b>	6,875	5,817	-15%
<b>Consensus REC</b>	<b>BUY: 15</b>	<b>HOLD: 2</b>	<b>SELL: 1</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F net profit estimates are 13-15% below the Bloomberg consensus, likely due to us having lower store expansion numbers and higher SG&A assumptions.
- Our DCF-based TP is, therefore, 30% lower than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

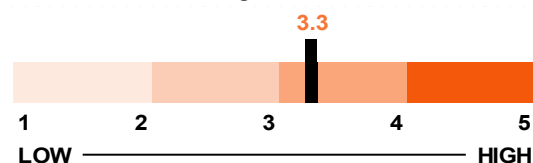
## RISKS TO OUR INVESTMENT CASE

- The key upside risk to our call would be if demand and consumption in Thailand, Vietnam, Malaysia, and Laos were to come in stronger than we currently expect.
- A secondary upside risk would be if raw-material prices were to move below our assumptions, leading BJC's gross margin to come in higher than we now assume.
- Another upside risk would be if BIGC could boost hypermarket gross margin more than we currently assume.

Source: Thanachart

BJC operates trading, manufacturing, and servicing fields in four main groups: industrial supply chain, consumer supply chain, healthcare and technical supply chain, and retail. It holds a 99.85% stake in Big C Supercenter (BIGC). Our ESG score for BJC is relatively high at 3.3 as the company is committed to many ESG targets.

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)
<b>BJC</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>A</b>	<b>55.34</b>	<b>65.38</b>	<b>89.00</b>	<b>-</b>	<b>4.0</b>

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

- BJC says it is aware of the repercussions of continued greenhouse gas (GHG) emissions, which negatively contribute to the global problem, and it is preparing for net zero by 2050.
- The "Big C Solar Roof Power Purchase Agreement (PPA) Project" was established few years ago. Throughout phases 1-4 of the project, BJC installed solar rooftops across 45 Big C branches, which generate 52,343 MWh per year. In 2022, the project moved into phases 5-6 (2022-24), which aim to install solar rooftops across an additional 43 Big C branches.
- To adequately manage all types of waste throughout the supply chain from upstream to downstream, BJC remained active over 2022 in identifying, developing, and implementing projects that aim to efficiently manage packaging waste under the "1+5 strategy" (reducing water consumption, the use of packaging, the use of non-renewable energy, the generation of food waste, and scope 1 & 2 emissions).

**SOCIAL**

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

- In 2022, the proportions of BJC's male and female employees were 40.4% and 59.6%, respectively. As for their base salaries, BJC has been offering fair remuneration, factoring in previous employment, knowledge and competency, among all employees at all levels without discrimination against their gender, age, physical disability, race, ethnicity, skin color, religion, nationality, country of origin, or cultural backgrounds.
- In 2022, BJC welcomed 257 individuals with disabilities into the company, comprising 1.3% of the full-time employees.
- In 2022, average training hours were 123 hours/employee with an average cost of Bt1,041.
- In 2022, BJC had zero incidences of non-compliance concerning the health and safety impacts of products.
- There were 845 organic SKUs offered in 2022, and 5% of total SKUs had health labels.

**GOVERNANCE & SUSTAINABILITY**

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

- The Board of Directors (BOD) comprises 16 directors, of whom six are independent directors. Three are women.
- The Risk Management Committee oversees enterprise-wide risks, including traditional risk, emerging risk, and ESG related-risk.
- BJC has established a corporatwide whistleblower program, amongst various other reporting channels, and an independent 24/7 reporting hotline available in local languages.

Source: Thanachart, Company data

**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	138,465	150,338	160,915	169,572	178,100
Cost of sales	112,448	122,707	130,450	137,416	144,310
<b>Gross profit</b>	<b>26,017</b>	<b>27,631</b>	<b>30,465</b>	<b>32,156</b>	<b>33,790</b>
% gross margin	18.8%	18.4%	18.9%	19.0%	19.0%
Selling & administration expenses	27,675	29,891	32,634	34,240	35,832
<b>Operating profit</b>	<b>9,870</b>	<b>10,933</b>	<b>11,671</b>	<b>11,862</b>	<b>12,564</b>
% operating margin	7.1%	7.3%	7.3%	7.0%	7.1%
Depreciation & amortization	9,074	9,009	10,413	11,096	11,691
<b>EBITDA</b>	<b>18,944</b>	<b>19,942</b>	<b>22,083</b>	<b>22,957</b>	<b>24,256</b>
% EBITDA margin	13.7%	13.3%	13.7%	13.5%	13.6%
Non-operating income	11,552	13,222	13,883	13,997	14,665
Non-operating expenses	0	0	0	0	0
Interest expense	(5,120)	(4,752)	(5,070)	(4,581)	(4,764)
<b>Pre-tax profit</b>	<b>4,774</b>	<b>6,210</b>	<b>6,644</b>	<b>7,332</b>	<b>7,859</b>
Income tax	507	435	864	953	1,022
<b>After-tax profit</b>	<b>4,267</b>	<b>5,775</b>	<b>5,780</b>	<b>6,379</b>	<b>6,838</b>
% net margin	3.1%	3.8%	3.6%	3.8%	3.8%
Shares in affiliates' Earnings	(187)	(15)	(14)	(12)	(11)
Minority interests	(652)	(790)	(600)	(550)	(500)
Extraordinary items	157	41	0	0	0
<b>NET PROFIT</b>	<b>3,585</b>	<b>5,010</b>	<b>5,167</b>	<b>5,817</b>	<b>6,327</b>
<b>Normalized profit</b>	<b>3,428</b>	<b>4,969</b>	<b>5,167</b>	<b>5,817</b>	<b>6,327</b>
EPS (Bt)	0.9	1.3	1.3	1.5	1.6
Normalized EPS (Bt)	0.9	1.2	1.3	1.5	1.6

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	43,987	48,126	48,680	52,195	54,799
Cash & cash equivalent	4,403	4,162	4,578	5,730	6,000
Account receivables	17,465	18,574	19,839	20,906	21,958
Inventories	21,166	24,388	23,231	24,471	25,699
Others	953	1,002	1,032	1,088	1,142
Investments & loans	2,827	2,968	2,968	2,968	2,968
Net fixed assets	62,204	61,010	60,195	57,700	53,611
Other assets	220,860	223,942	237,791	236,845	235,515
<b>Total assets</b>	<b>329,879</b>	<b>336,045</b>	<b>349,634</b>	<b>349,708</b>	<b>346,893</b>
<b>LIABILITIES:</b>					
Current liabilities:	56,323	62,468	67,678	68,702	69,258
Account payables	30,522	33,506	35,382	37,272	39,142
Bank overdraft & ST loans	8,436	2,038	15,840	15,432	14,721
Current LT debt	15,461	25,065	14,256	13,889	13,249
Others current liabilities	1,904	1,860	2,200	2,109	2,147
<b>Total LT debt</b>	<b>128,556</b>	<b>122,268</b>	<b>128,301</b>	<b>125,001</b>	<b>119,237</b>
Others LT liabilities	23,696	27,159	26,862	26,689	26,505
<b>Total liabilities</b>	<b>208,575</b>	<b>211,896</b>	<b>222,840</b>	<b>220,392</b>	<b>215,000</b>
Minority interest	5,429	5,857	6,457	7,007	7,507
Preferreds shares	0	0	0	0	0
Paid-up capital	4,008	4,008	3,991	3,991	3,991
Share premium	85,926	85,926	85,926	85,926	85,926
Warrants	250	193	193	193	193
Surplus	(81)	(77)	(77)	(77)	(77)
<b>Retained earnings</b>	<b>25,772</b>	<b>28,241</b>	<b>30,302</b>	<b>32,275</b>	<b>34,351</b>
Shareholders' equity	115,875	118,291	120,336	122,309	124,385
<b>Liabilities &amp; equity</b>	<b>329,879</b>	<b>336,045</b>	<b>349,634</b>	<b>349,708</b>	<b>346,893</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	4,774	6,210	6,644	7,332	7,859
Tax paid	(536)	(475)	(791)	(949)	(985)
Depreciation & amortization	9,074	9,009	10,413	11,096	11,691
Chg In working capital	(1,183)	(1,346)	1,768	(418)	(409)
Chg In other CA & CL / minorities	(1,981)	(1,698)	(376)	(672)	(595)
<b>Cash flow from operations</b>	<b>10,148</b>	<b>11,700</b>	<b>17,657</b>	<b>16,389</b>	<b>17,562</b>
Capex	(5,867)	(7,676)	(8,500)	(7,500)	(6,500)
Right of use	1,345	(2,726)	(136)	(7)	(7)
ST loans & investments	15	(38)	38	0	0
LT loans & investments	(42)	(140)	0	0	0
Adj for asset revaluation	(25)	0	0	0	0
Chg In other assets & liabilities	(178)	4,274	(14,546)	188	580
<b>Cash flow from investments</b>	<b>(4,752)</b>	<b>(6,306)</b>	<b>(23,144)</b>	<b>(7,318)</b>	<b>(5,926)</b>
Debt financing	(1,660)	(3,041)	9,025	(4,074)	(7,115)
Capital increase	0	0	(16)	0	0
Dividends paid	(3,006)	(2,645)	(3,106)	(3,844)	(4,250)
Warrants & other surplus	644	51	0	0	0
<b>Cash flow from financing</b>	<b>(4,022)</b>	<b>(5,635)</b>	<b>5,903</b>	<b>(7,918)</b>	<b>(11,365)</b>
<b>Free cash flow</b>	<b>4,281</b>	<b>4,023</b>	<b>9,157</b>	<b>8,889</b>	<b>11,062</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	40.5	27.9	26.8	23.8	21.9
Normalized PE - at target price (x)	34.9	24.1	23.2	20.6	18.9
PE (x)	38.7	27.7	26.8	23.8	21.9
PE - at target price (x)	33.4	23.9	23.2	20.6	18.9
EV/EBITDA (x)	15.1	14.2	13.2	12.5	11.5
EV/EBITDA - at target price (x)	14.1	13.3	12.4	11.7	10.8
P/BV (x)	1.2	1.2	1.2	1.1	1.1
P/BV - at target price (x)	1.0	1.0	1.0	1.0	1.0
P/CFO (x)	13.7	11.9	7.9	8.5	7.9
Price/sales (x)	1.0	0.9	0.9	0.8	0.8
Dividend yield (%)	1.9	1.9	2.6	2.9	3.2
FCF Yield (%)	3.1	2.9	6.6	6.4	8.0
<b>(Bt)</b>					
Normalized EPS	0.9	1.2	1.3	1.5	1.6
EPS	0.9	1.3	1.3	1.5	1.6
DPS	0.7	0.7	0.9	1.0	1.1
BV/share	29.0	29.6	30.1	30.6	31.2
CFO/share	2.5	2.9	4.4	4.1	4.4
FCF/share	1.1	1.0	2.3	2.2	2.8

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	(4.3)	8.6	7.0	5.4	5.0
Net profit (%)	(10.4)	39.8	3.1	12.6	8.8
EPS (%)	(10.4)	39.8	3.1	12.6	8.8
Normalized profit (%)	(12.4)	45.0	4.0	12.6	8.8
Normalized EPS (%)	(12.4)	45.0	4.0	12.6	8.8
Dividend payout ratio (%)	73.5	51.8	70.0	70.0	70.0
<b>Operating performance</b>					
Gross margin (%)	18.8	18.4	18.9	19.0	19.0
Operating margin (%)	7.1	7.3	7.3	7.0	7.1
EBITDA margin (%)	13.7	13.3	13.7	13.5	13.6
Net margin (%)	3.1	3.8	3.6	3.8	3.8
D/E (incl. minor) (x)	1.3	1.2	1.2	1.2	1.1
Net D/E (incl. minor) (x)	1.2	1.2	1.2	1.1	1.1
Interest coverage - EBIT (x)	1.9	2.3	2.3	2.6	2.6
Interest coverage - EBITDA (x)	3.7	4.2	4.4	5.0	5.1
ROA - using norm profit (%)	1.0	1.5	1.5	1.7	1.8
ROE - using norm profit (%)	3.0	4.2	4.3	4.8	5.1
<b>DuPont</b>					
ROE - using after tax profit (%)	3.7	4.9	4.8	5.3	5.5
- asset turnover (x)	0.4	0.5	0.5	0.5	0.5
- operating margin (%)	7.1	7.3	7.3	7.0	7.1
- leverage (x)	2.8	2.8	2.9	2.9	2.8
- interest burden (%)	48.3	56.6	56.7	61.5	62.3
- tax burden (%)	89.4	93.0	87.0	87.0	87.0
WACC (%)	7.5	7.5	7.5	7.5	7.5
ROIC (%)	3.3	3.9	3.9	3.8	4.0
NOPAT (Bt m)	8,823	10,167	10,153	10,320	10,931
invested capital (Bt m)	263,925	263,501	274,154	270,901	265,592

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)**TP: Bt 38.00**

(From: Bt 36.00)

Change in Numbers

**Upside: 33.3%****20 JULY 2023****COM7 Pcl.** (COM7 TB)**Bucking the trend**

We reaffirm our BUY call on COM7 expecting the market to be less concerned about its ability to buck the falling industry demand trend with another set of good 2Q23F results on the way. PE also looks inexpensive to us at 19.9/15.5x in 2023-24F for a company with decent earnings growth and ROE of over 40%.

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**Strong 2Q23F despite weak industry**

We expect COM7 to post 2Q23F earnings of Bt770m, up 27% y-y but down 12% q-q on the seasonality impact. This is against an estimated 10% y-y fall in industry demand. Note that COM7 also grew 15% y-y in 1Q23 vs. a similar drop in industry demand. This implies that COM7 continued to gain market share. As the largest mobile phone and IT retailer, COM7 has more room to carry out promotions, and it continues to open stores. The fact that COM7 has a higher Apple brand product mix (around 50% of sales) and decent store space for IT accessories (18% of sales) also helps it to outperform the industry. We estimate COM7's sales of Apple products and IT accessories grew by 25% y-y in 1H23 vs. an industry demand fall of 10% y-y. We forecast COM7's same-store sales growth at 10% this year with 132 or 5% store openings.

**Good product mix, in our view**

COM7 for the past five years has focused on Apple products, gadgets, and IT accessories, such as phone protective film and cases (for all brands). We estimate that the sales mix of these products rose to 70% in 2022 from less than 50% of total sales in 2018. We expect it to rise to 75% in 2025F. Note that gadgets and IT accessories are products with a high gross margin, say above 20%. They are also the products with fast growth in the IoT mega-trend. Exhibit 4 shows Apple's rising market share.

**Next stage's drivers**

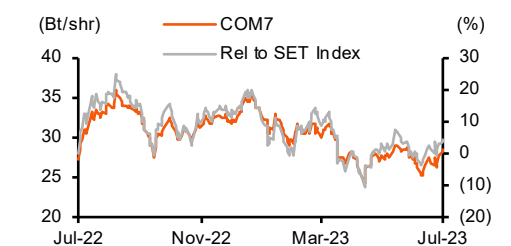
COM7's earnings grew 38% p.a. during 2018-22, with drivers being modern-trade store expansion and the operating leverage effect from scale benefits. In its next growth stage, we expect earnings to grow 20% p.a. in 2023-25F with the following key drivers. First, there is still room for many more store openings, with about half of them being standalones, which didn't happen in the earlier growth stage. COM7 believes it can easily open 120 stores p.a. in 2023-25F vs. 100 p.a. in 2018-22. Second, it plans to increase the number of branded modern-trade shops. Third, it targets to add space to sell more gadgets and IT accessories. Fourth, we forecast a mobile phone and IT industry turnaround of 7/5% in 2024-25F vs. a 14/10% fall in 2022-23F. Lastly, the operating leverage effect should continue.

**Inexpensive, in our opinion**

We reaffirm our BUY call on COM7 for an inexpensive valuation, good growth outlook, and high ROE. We believe COM7's share price has already de-rated to reflect its slower growth stage of 20% p.a. in 2023-25F. Its PE is down to 19.9/15.5x in 2023-24F from an average of 23x during 2018-22. ROE is very high at 43% in 2023F and still rising. We raise our TP by 6% to Bt38 from Bt36 as we roll over our base year to 2024F.

**COMPANY VALUATION**

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	62,733	71,958	82,537	93,094
Net profit	3,038	3,438	4,417	5,221
Consensus NP	—	3,491	4,074	4,612
Diff frm cons (%)	—	(1.5)	8.4	13.2
Norm profit	3,040	3,438	4,417	5,221
Prev. Norm profit	—	3,438	4,417	5,221
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	1.3	1.4	1.8	2.2
Norm EPS grw (%)	13.9	13.1	28.5	18.2
Norm PE (x)	22.5	19.9	15.5	13.1
EV/EBITDA (x)	15.6	13.9	11.0	9.5
P/BV (x)	9.6	7.9	6.4	5.5
Div yield (%)	2.6	3.0	3.8	6.6
ROE (%)	48.9	43.4	45.4	45.1
Net D/E (%)	55.6	43.1	33.4	31.8

**PRICE PERFORMANCE****COMPANY INFORMATION**

Price as of 19-Jul-23 (Bt)	28.50
Market Cap (US\$ m)	2,007.4
Listed Shares (m shares)	2,400.0
Free Float (%)	47.4
Avg Daily Turnover (US\$ m)	10.5
12M Price H/L (Bt)	36.00/24.30
Sector	Commerce
Major Shareholder	Khun Sura Kanittavikul 25.05%

Sources: Bloomberg, Company data, Thanachart estimates

**ESG Summary Report ..... P32**

**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	6,111	7,198	8,132	9,220	10,253	11,381	12,514	13,101	13,614	14,146	14,696	-
Free cash flow	2,858	3,653	4,352	5,898	6,718	7,528	8,453	9,209	9,639	10,023	10,423	140,094
PV of free cash flow	2,858	3,063	3,342	4,147	4,325	4,438	4,563	4,552	4,362	4,154	3,805	51,142
Risk-free rate (%)	3.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	9.6											
Terminal growth (%)	2.0											
Enterprise value - add investments	94,750											
Net debt (2023F)	3,633											
Minority interest	124											
Equity value	90,993											
# of shares	2,400											
<b>Target price/share (Bt)</b>	<b>38</b>											

Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Com7 Pcl (COM7) runs a chain of retail outlets that imports, retails, and distributes computers and IT-related products in Thailand. The company offers products such as smartphones, tablets, notebooks and computers. COM7 also offers computer components, such as CPUs, hard drives, and networks and accessories.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Strong distribution channels nationwide
- More products and brands
- Diversification into higher-margin businesses
- Leverage effect from better utilization of assets
- Apple's largest distributor in Thailand

### O — Opportunity

- 4G to 5G migration
- Improving economy
- Increasing speed and bandwidth usage
- New developments in technology

### W — Weakness

- Low-margin retail business
- Risk from obsolete inventory

### T — Threat

- Fierce competition in handsets and IT-related products
- Fast-moving technological advances
- Rising competition from new entrants

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	37.81	38.00	1%
<b>Net profit 23F (Bt m)</b>	3,491	3,438	-2%
<b>Net profit 24F (Bt m)</b>	4,074	4,417	8%
<b>Consensus REC</b>	<b>BUY: 12</b>	<b>HOLD: 1</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is relatively similar to the Bloomberg consensus, which we attribute to us having a similar view of COM7's business outlook.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- Greater competition in the existing retail business would be the key downside risk to our call.
- A worse-than-expected economy and lower IT-related demand would represent secondary downside risks.

Source: Thanachart



**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	51,126	62,733	71,958	82,537	93,094
Cost of sales	44,281	54,298	62,160	71,263	80,395
<b>Gross profit</b>	<b>6,846</b>	<b>8,435</b>	<b>9,797</b>	<b>11,274</b>	<b>12,698</b>
% gross margin	13.4%	13.4%	13.6%	13.7%	13.6%
Selling & administration expenses	3,696	4,600	5,312	5,567	5,987
<b>Operating profit</b>	<b>3,150</b>	<b>3,835</b>	<b>4,485</b>	<b>5,707</b>	<b>6,712</b>
% operating margin	6.2%	6.1%	6.2%	6.9%	7.2%
Depreciation & amortization	787	796	718	819	926
<b>EBITDA</b>	<b>3,938</b>	<b>4,631</b>	<b>5,204</b>	<b>6,526</b>	<b>7,637</b>
% EBITDA margin	7.7%	7.4%	7.2%	7.9%	8.2%
Non-operating income	24	58	10	10	10
Non-operating expenses	0	0	0	0	0
Interest expense	(48)	(103)	(150)	(141)	(135)
<b>Pre-tax profit</b>	<b>3,126</b>	<b>3,790</b>	<b>4,345</b>	<b>5,576</b>	<b>6,587</b>
Income tax	555	769	891	1,143	1,350
<b>After-tax profit</b>	<b>2,572</b>	<b>3,021</b>	<b>3,454</b>	<b>4,433</b>	<b>5,236</b>
% net margin	5.0%	4.8%	4.8%	5.4%	5.6%
Shares in affiliates' Earnings	96	45	10	10	10
Minority interests	2	(26)	(26)	(26)	(26)
Extraordinary items	(40)	(2)	0	0	0
<b>NET PROFIT</b>	<b>2,630</b>	<b>3,038</b>	<b>3,438</b>	<b>4,417</b>	<b>5,221</b>
<b>Normalized profit</b>	<b>2,670</b>	<b>3,040</b>	<b>3,438</b>	<b>4,417</b>	<b>5,221</b>
EPS (Bt)	1.1	1.3	1.4	1.8	2.2
Normalized EPS (Bt)	1.1	1.3	1.4	1.8	2.2

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	11,886	13,362	13,856	15,522	17,142
Cash & cash equivalent	1,851	1,636	1,015	1,015	1,015
Account receivables	2,786	3,716	4,262	4,889	5,514
Inventories	6,208	7,333	8,395	9,429	10,417
Others	1,042	678	184	190	196
Investments & loans	774	1,517	2,260	3,004	3,747
Net fixed assets	615	873	1,115	1,332	1,517
Other assets	2,691	3,410	3,482	3,582	3,657
<b>Total assets</b>	<b>15,966</b>	<b>19,162</b>	<b>20,714</b>	<b>23,440</b>	<b>26,063</b>
<b>LIABILITIES:</b>					
Current liabilities:	9,751	11,169	11,251	11,860	12,745
Account payables	5,106	4,909	5,620	6,541	7,379
Bank overdraft & ST loans	3,801	5,204	4,411	4,269	4,602
Current LT debt	0	0	0	0	0
Others current liabilities	844	1,056	1,219	1,049	764
<b>Total LT debt</b>	<b>677</b>	<b>462</b>	<b>391</b>	<b>379</b>	<b>408</b>
Others LT liabilities	237	280	274	315	355
<b>Total liabilities</b>	<b>10,665</b>	<b>11,911</b>	<b>11,916</b>	<b>12,553</b>	<b>13,508</b>
Minority interest	16	97	124	124	150
Preferreds shares	0	0	0	0	0
Paid-up capital	300	600	600	600	600
Share premium	899	899	899	899	899
Warrants	0	0	0	0	0
Surplus	(14)	621	621	621	621
<b>Retained earnings</b>	<b>4,100</b>	<b>5,034</b>	<b>6,554</b>	<b>8,644</b>	<b>10,285</b>
Shareholders' equity	5,285	7,154	8,674	10,764	12,405
<b>Liabilities &amp; equity</b>	<b>15,966</b>	<b>19,162</b>	<b>20,714</b>	<b>23,440</b>	<b>26,063</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	3,126	3,790	4,345	5,576	6,587
Tax paid	(433)	(491)	(929)	(996)	(1,303)
Depreciation & amortization	787	796	718	819	926
Chg In working capital	(1,823)	(2,251)	(897)	(740)	(775)
Chg In other CA & CL / minorities	7	111	206	(338)	(327)
<b>Cash flow from operations</b>	<b>1,665</b>	<b>1,954</b>	<b>3,443</b>	<b>4,321</b>	<b>5,107</b>
Capex	(292)	(479)	(550)	(600)	(650)
Right of use	(514)	(322)	(100)	(100)	(100)
ST loans & investments	(725)	270	499	0	0
LT loans & investments	(99)	(743)	(743)	(743)	(743)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(619)	(911)	(387)	(395)	(395)
<b>Cash flow from investments</b>	<b>(2,248)</b>	<b>(2,186)</b>	<b>(1,282)</b>	<b>(1,839)</b>	<b>(1,889)</b>
Debt financing	2,510	1,185	(863)	(155)	362
Capital increase	0	300	0	0	0
Dividends paid	(1,199)	(1,200)	(1,919)	(2,327)	(3,580)
Warrants & other surplus	1	(268)	0	0	0
<b>Cash flow from financing</b>	<b>1,312</b>	<b>17</b>	<b>(2,781)</b>	<b>(2,482)</b>	<b>(3,218)</b>
<b>Free cash flow</b>	<b>1,373</b>	<b>1,474</b>	<b>2,893</b>	<b>3,721</b>	<b>4,457</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	25.6	22.5	19.9	15.5	13.1
Normalized PE - at target price (x)	34.2	30.0	26.5	20.6	17.5
PE (x)	26.0	22.5	19.9	15.5	13.1
PE - at target price (x)	34.7	30.0	26.5	20.6	17.5
EV/EBITDA (x)	18.0	15.6	13.9	11.0	9.5
EV/EBITDA - at target price (x)	23.8	20.6	18.3	14.5	12.5
P/BV (x)	12.9	9.6	7.9	6.4	5.5
P/BV - at target price (x)	17.3	12.7	10.5	8.5	7.4
P/CFO (x)	41.1	35.0	19.9	15.8	13.4
Price/sales (x)	1.3	1.1	1.0	0.8	0.7
Dividend yield (%)	1.8	2.6	3.0	3.8	6.6
FCF Yield (%)	2.0	2.2	4.2	5.4	6.5
<b>(Bt)</b>					
Normalized EPS	1.1	1.3	1.4	1.8	2.2
EPS	1.1	1.3	1.4	1.8	2.2
DPS	0.5	0.8	0.8	1.1	1.9
BV/share	2.2	3.0	3.6	4.5	5.2
CFO/share	0.7	0.8	1.4	1.8	2.1
FCF/share	0.6	0.6	1.2	1.6	1.9

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	37.0	22.7	14.7	14.7	12.8
Net profit (%)	76.5	15.5	13.2	28.5	18.2
EPS (%)	76.5	15.5	13.2	28.5	18.2
Normalized profit (%)	84.2	13.9	13.1	28.5	18.2
Normalized EPS (%)	84.2	13.9	13.1	28.5	18.2
Dividend payout ratio (%)	45.6	59.3	59.3	59.3	87.0
<b>Operating performance</b>					
Gross margin (%)	13.4	13.4	13.6	13.7	13.6
Operating margin (%)	6.2	6.1	6.2	6.9	7.2
EBITDA margin (%)	7.7	7.4	7.2	7.9	8.2
Net margin (%)	5.0	4.8	4.8	5.4	5.6
D/E (incl. minor) (x)	0.8	0.8	0.5	0.4	0.4
Net D/E (incl. minor) (x)	0.5	0.6	0.4	0.3	0.3
Interest coverage - EBIT (x)	65.8	37.2	29.8	40.4	49.7
Interest coverage - EBITDA (x)	82.2	45.0	34.6	46.2	56.5
ROA - using norm profit (%)	21.2	17.3	17.2	20.0	21.1
ROE - using norm profit (%)	58.4	48.9	43.4	45.4	45.1
<b>DuPont</b>					
ROE - using after tax profit (%)	56.3	48.6	43.6	45.6	45.2
- asset turnover (x)	4.1	3.6	3.6	3.7	3.8
- operating margin (%)	6.2	6.2	6.2	6.9	7.2
- leverage (x)	2.8	2.8	2.5	2.3	2.1
- interest burden (%)	98.5	97.4	96.7	97.5	98.0
- tax burden (%)	82.3	79.7	79.5	79.5	79.5
WACC (%)	8.8	8.8	8.8	8.8	9.2
ROIC (%)	54.9	38.6	31.9	36.4	37.1
NOPAT (Bt m)	2,591	3,057	3,566	4,537	5,336
invested capital (Bt m)	7,913	11,184	12,462	14,397	16,400

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 73.00** (From: Bt 75.00)**Upside : 16.3%****20 JULY 2023**

# 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.

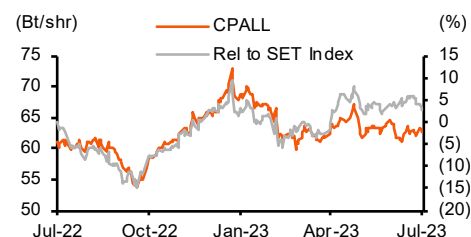
### Remains a top sector pick

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												
<b>Equity value/share (Bt)</b>	<b>73.00</b>												

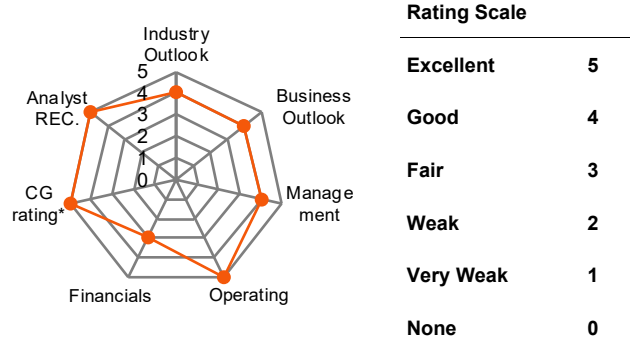
Sources: Company data, Thanachart estimates

## 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



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.

Sources: Bloomberg consensus, Thanachart estimates

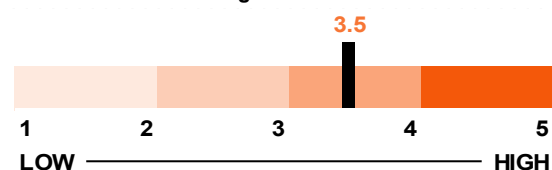
## RISKS TO OUR INVESTMENT CASE

- 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.

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**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
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
<b>Gross profit</b>	<b>140,905</b>	<b>201,222</b>	<b>223,060</b>	<b>248,928</b>	<b>270,536</b>
% 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
<b>Operating profit</b>	<b>24,038</b>	<b>35,808</b>	<b>40,346</b>	<b>47,800</b>	<b>54,317</b>
% operating margin	4.1%	4.2%	4.3%	4.6%	4.8%
Depreciation & amortization	22,847	32,681	25,939	28,344	30,806
<b>EBITDA</b>	<b>46,885</b>	<b>68,489</b>	<b>66,285</b>	<b>76,144</b>	<b>85,123</b>
% 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)
<b>Pre-tax profit</b>	<b>11,524</b>	<b>19,260</b>	<b>23,418</b>	<b>32,138</b>	<b>38,969</b>
Income tax	1,693	3,861	4,215	5,785	7,014
<b>After-tax profit</b>	<b>9,831</b>	<b>15,399</b>	<b>19,203</b>	<b>26,353</b>	<b>31,954</b>
% 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
<b>NET PROFIT</b>	<b>12,985</b>	<b>13,272</b>	<b>17,569</b>	<b>23,137</b>	<b>27,596</b>
<b>Normalized profit</b>	<b>8,706</b>	<b>13,281</b>	<b>17,569</b>	<b>23,137</b>	<b>27,596</b>
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**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
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
<b>Total assets</b>	<b>931,893</b>	<b>924,061</b>	<b>907,216</b>	<b>924,566</b>	<b>938,568</b>
<b>LIABILITIES:</b>					
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
<b>Total LT debt</b>	<b>311,679</b>	<b>309,061</b>	<b>295,789</b>	<b>298,038</b>	<b>290,681</b>
Others LT liabilities	112,334	117,257	90,846	84,039	76,493
<b>Total liabilities</b>	<b>639,085</b>	<b>633,760</b>	<b>604,296</b>	<b>604,553</b>	<b>598,321</b>
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
<b>Retained earnings</b>	<b>73,242</b>	<b>80,318</b>	<b>89,851</b>	<b>102,812</b>	<b>117,724</b>
Shareholders' equity	104,134	100,724	110,258	123,218	138,131
<b>Liabilities &amp; equity</b>	<b>931,893</b>	<b>924,061</b>	<b>907,216</b>	<b>924,566</b>	<b>938,568</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
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
<b>Cash flow from operations</b>	<b>226,823</b>	<b>50,617</b>	<b>54,088</b>	<b>51,450</b>	<b>66,062</b>
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)
<b>Cash flow from investments</b>	<b>(296,465)</b>	<b>(37,251)</b>	<b>(54,477)</b>	<b>(43,850)</b>	<b>(44,951)</b>
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
<b>Cash flow from financing</b>	<b>126,150</b>	<b>(38,609)</b>	<b>(21,035)</b>	<b>(7,600)</b>	<b>(21,110)</b>
<b>Free cash flow</b>	<b>123,102</b>	<b>29,096</b>	<b>19,958</b>	<b>15,720</b>	<b>30,142</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
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
<b>(Bt)</b>					
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**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
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
<b>Operating performance</b>					
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
<b>DuPont</b>					
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

**BUY** (Unchanged)**TP: Bt 45.00**

(From: Bt 46.00)

**20 JULY 2023**

Change in Numbers

Upside : 28.6%

## CP Aextra Pcl (CPAXT TB)

### First turnaround year

With the completion of Lotus's debt restructuring in 2Q23, we expect a strong earnings turnaround from 3Q23F, backed by falling interest costs and strong cash & carry sales. Together with Lotus's recovery from a very low earnings base and its resilient wholesale business, we estimate a 29% three-year EPS CAGR. Reaffirm BUY.

**PHANNARAI TIYAPITTAYARAT**

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#### Lowering our TP; reaffirming BUY

We expect 2Q23F to be the last soft quarter for CPAXT with net profit of Bt1.45bn, down by 8% y-y. The key drag will likely be a one-time fee on early debt repayment, so we expect core profit to grow by 4% y-y to Bt1.64bn. With the negative impact of food deflation and continued pressure on Lotus's gross margin, we lower our 2023-25F earnings by 4-10%. Given our base year rollover to 2024F, our DCF-based 12-month TP falls by 2% to Bt45 (from Bt46 previously). We expect this year to be the first year of a strong growth cycle and estimate a 29% three-year EPS CAGR in 2023-25F.

#### Very resilient wholesale revenues

The cash & carry business saw record sales and profit last year, and it contributed 92% of CPAXT's profit in 2022 and 88% in 1Q23. The strong momentum continued with 10.9% SSSG in 1Q23 and 5.5% in 2Q23F, or 16% above pre-COVID SSSG, and gross margin widened by 31bp y-y in 1H23F, driven by a rising fresh food (42% of sales) and private-label sales mix (17.1%) along with the tourism recovery. SSSG growth of 5-6%, new stores, and a wider gross margin should drive wholesale's profit to grow from Bt7.1bn last year to Bt10.2bn in 2025F.

#### Lotus's – coming off a low base

Acquiring Lotus's in 4Q21, CPAXT was pressured by a high interest burden (90% belongs to Lotus's) and a just-completed debt restructuring. Though its recovery has been slower than we'd expected as Lotus's SSSG is still 10% below 2019's and gross margin is lower due to hypermarket competition, its solid earnings turnaround looks on track, with net profit rising from Bt623m last year to Bt2.3bn this year and Bt6.2bn in 2025F. Besides falling interest expenses and growth from new stores, Lotus's initiated a mall-extension program last year with a five-year plan to add more rental space (150,000-200,000 sqm) at 70-80 existing branches, which will likely draw traffic to its stores. Room to improve gross margin comes from a better alignment of trade terms with suppliers (unlocked in December 2022), allocating more fresh food space, and growing private brands.

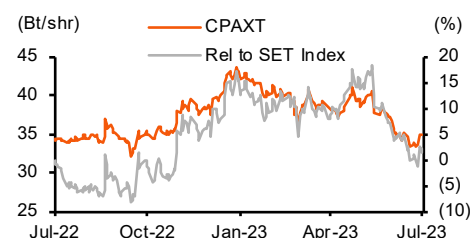
#### Finished debt restructuring in April

With a series of debt repayments and debt refinancing via cheaper-rate fixed coupon bonds, CPAXT's IBD fell from Bt136bn in 2021 to Bt95bn in 1Q23. In April, all of its US\$ debt had been repaid. At present, total debts are 80% in Thai baht and 20% in Malaysian ringgit. Floating-rate debts dropped from 94% in 1Q22 to 18% in April this year. We estimate interest costs to fall by 26% y-y and 19% h-h to Bt2.98bn in 2H23F before an 18% decline to Bt5.5bn in 2024F.

#### COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	466,082	506,419	554,421	602,777
Net profit	7,697	10,311	13,277	16,383
Consensus NP	—	11,320	13,731	15,925
Diff frm cons (%)	—	(8.9)	(3.3)	2.9
Norm profit	7,697	10,311	13,277	16,383
Prev. Norm profit	—	10,695	14,071	18,110
Chg frm prev (%)	—	(3.6)	(5.6)	(9.5)
Norm EPS (Bt)	0.7	1.0	1.3	1.5
Norm EPS grw (%)	(35.6)	34.0	28.8	23.4
Norm PE (x)	48.1	35.9	27.9	22.6
EV/EBITDA (x)	14.3	13.6	11.8	10.2
P/BV (x)	1.3	1.2	1.2	1.2
Div yield (%)	1.5	2.1	2.7	3.3
ROE (%)	2.7	3.5	4.4	5.3
Net D/E (%)	24.6	23.8	22.6	19.7

#### PRICE PERFORMANCE



#### COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	35.00
Market Cap (US\$ m)	10,867.9
Listed Shares (m shares)	10,580.3
Free Float (%)	15.0
Avg Daily Turnover (US\$ m)	15.5
12M Price H/L (Bt)	43.50/32.00
Sector	Commerce
Major Shareholder	CP All 59.92%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report ..... P46



**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		32,389	37,808	43,549	50,429	56,157	60,351	66,124	72,268	77,191	84,084	91,446	
Free cash flow		7,358	10,709	19,806	28,747	33,131	38,716	43,627	48,840	52,759	58,569	64,758	888,233
PV of free cash flow		7,358	9,102	15,520	20,767	21,575	23,140	23,933	24,591	24,376	24,837	24,005	329,253
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	0.9												
WACC (%)	8.5												
Terminal growth (%)	2.0												
Enterprise value - add investments	548,455												
Net debt (end-2023F)	71,735												
Minority interest	570												
Equity value	476,150												
# of shares (m)	10,580												
<b>Equity value/share (Bt)</b>	<b>45.00</b>												

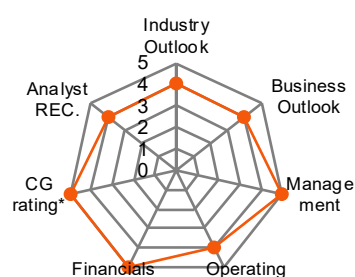
Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

CP Axta Pcl (CPAXT) operates the Makro discount store chain, selling food and consumer products to its registered customers comprising wholesalers, retailers, small businesses, caterers, and private individuals. It was operating 153 Makro stores as of 1Q23 (including small food-service stores, food shops, frozen shops, Fresh@Makro) in Thailand, two wholesale stores in Cambodia, four eco-plus branches in India, two branches in China, and one branch in Myanmar. In 4Q21, Lotus's in Thailand and Malaysia became a wholly-owned subsidiary of CPAXT.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- The sole cash-and-carry wholesale operator in Thailand selling food and non-food products to registered customers.
- Strong product niche with premium food and frozen foods targeting professional customers.
- A significantly higher grocery market share after Lotus's acquisition.

### O — Opportunity

- Room to open more medium- or small-sized HORECA stores offering fresh and frozen foods to hotels, restaurants and catering customers.
- Further product assortment changes geared toward higher-margin items, i.e., fresh food, private labels.

### W — Weakness

- Low concentration of retail customers and end-users.
- Very efficient inventory management is required given thin net margin.

### T — Threat

- Risks and challenges in overseas market penetration.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	40.52	45.00	11%
<b>Net profit 23F (Bt m)</b>	11,320	10,311	-9%
<b>Net profit 24F (Bt m)</b>	13,731	13,277	-3%
<b>Consensus REC</b>	<b>BUY: 12</b>	<b>HOLD: 6</b>	<b>SELL: 2</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profits for 2023-24F are 3-9% below the Bloomberg consensus estimates, which we attribute to us factoring in higher SG&A during the business transition, lower Lotus's gross margin, and the food deflation impact on wholesale.
- Our TP is 11% above the consensus number, which we attribute to us having higher long-term profit forecasts.

Sources: Bloomberg consensus, Thanachart estimates

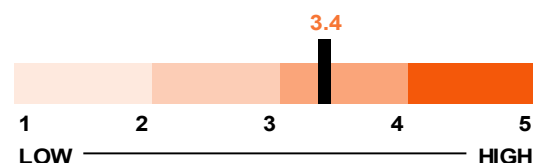
## RISKS TO OUR INVESTMENT CASE

- The key downside risk to our earnings forecasts would be a weaker domestic economy and tourism recovery that could dampen overall consumption.
- Another downside risk would be lower-than-expected synergies from the acquisition of Lotus's.

Source: Thanachart

CPAXT operates 153 large and small cash & carry stores in Thailand and 10 branches in Cambodia, India, China, and Myanmar. It also owns 2,589 Lotus’s hypermarkets and supermarkets in Thailand and 65 in Malaysia. We assign a decent ESG score of 3.4 to CPAXT since even though it doesn’t release much greenhouse gas, it still sets targets and is committed to its plans to improve ESG issues.

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)
CPAXT	-	-	-	-	52.68	72.87	63.00	-	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
<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>Environmental Policies &amp; Guidelines</li> <li>Energy Management</li> <li>Carbon Management</li> <li>Water Management</li> <li>Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>CPAXT released scope 1 and 2 greenhouse gas (GHG) emissions of 0.7mt of CO2 equivalent in 2022.</li> <li>CPAXT targets carbon neutrality from its operations by 2030.</li> <li>CPAXT targets to reduce water intensity per revenue by 20% in 2030 from 2020's level by preventing water leakages, utilizing water-saving equipment, and recycling water.</li> <li>CPAXT is committed to achieving sending zero food waste to landfills by 2030.</li> <li>CPAXT is committed to using packaging that can be reduced, reused, recycled, and upcycled.</li> </ul>
<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>Human Rights</li> <li>Staff Management</li> <li>Health &amp; Safety</li> <li>Product Safety &amp; Quality</li> <li>Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>CPAXT respects human rights and labor practices in all the countries where it operates and it adheres to the Universal Declaration of Human Rights (UDHR), the Ten Principles of the United Nations Global Compact (UN Global Compact), the UN Guiding Principles on Business and Human Rights (UNGPs), and the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO).</li> <li>In 2022, 2.5% of its total employees were &gt;50 years old, while it had 270 disabled staff. Average employee training increased from 8.96 hours/person/year in 2018 to 32 hours in 2022. The fatality rate of employees as a result of work-related injuries was 0% in 2018-22, with 100% of staff covered by an occupational health and safety management system.</li> <li>CPAXT strives to ensure food safety throughout the supply chain and has appointed a committee on food quality and safety.</li> </ul>
<p><b>GOVERNANCE &amp; SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>Board</li> <li>Ethics &amp; Transparency</li> <li>Business Sustainability</li> <li>Risk Management</li> <li>Innovation</li> </ul>	<ul style="list-style-type: none"> <li>There are 15 members of its board of directors (BOD), of whom five are independent directors, and three are female. However, the chairman of the BOD is also the chairman of the executive board.</li> <li>CPAXT says it is committed to conducting its businesses with honesty, transparency, and fairness to all stakeholders, and that it is in the company's best interests to maintain stable and sustainable growth with good returns for shareholders over the long run.</li> <li>Customer satisfaction is the priority, according to CPAXT, and it expects the level to be above the industry standard. For business sustainability and customer satisfaction, CPAXT says it is determined to identify new products, expand product varieties, and focus on product quality and safety. Safety standards of its food products are of the utmost importance, according to the company.</li> </ul>

Source: Thanachart, Company data

**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	265,398	466,082	506,419	554,421	602,777
Cost of sales	229,384	389,588	423,662	462,520	501,564
<b>Gross profit</b>	<b>36,014</b>	<b>76,494</b>	<b>82,757</b>	<b>91,900</b>	<b>101,214</b>
% gross margin	13.6%	16.4%	16.3%	16.6%	16.8%
Selling & administration expenses	26,490	62,842	67,485	73,616	79,469
<b>Operating profit</b>	<b>10,494</b>	<b>16,701</b>	<b>17,719</b>	<b>20,890</b>	<b>24,511</b>
% operating margin	4.0%	3.6%	3.5%	3.8%	4.1%
Depreciation & amortization	4,842	14,117	14,728	16,332	18,016
<b>EBITDA</b>	<b>15,336</b>	<b>30,819</b>	<b>32,446</b>	<b>37,222</b>	<b>42,527</b>
% EBITDA margin	5.8%	6.6%	6.4%	6.7%	7.1%
Non-operating income	970	3,050	2,446	2,606	2,766
Non-operating expenses	0	0	0	0	0
Interest expense	(1,557)	(7,122)	(6,659)	(5,488)	(5,283)
<b>Pre-tax profit</b>	<b>8,937</b>	<b>9,579</b>	<b>11,059</b>	<b>15,403</b>	<b>19,228</b>
Income tax	2,128	2,729	2,212	3,081	3,846
<b>After-tax profit</b>	<b>6,810</b>	<b>6,850</b>	<b>8,848</b>	<b>12,322</b>	<b>15,383</b>
% net margin	2.6%	1.5%	1.7%	2.2%	2.6%
Shares in affiliates' Earnings	149	831	1,451	917	962
Minority interests	14	15	13	38	37
Extraordinary items	6,714	0	0	0	0
<b>NET PROFIT</b>	<b>13,687</b>	<b>7,697</b>	<b>10,311</b>	<b>13,277</b>	<b>16,383</b>
<b>Normalized profit</b>	<b>6,972</b>	<b>7,697</b>	<b>10,311</b>	<b>13,277</b>	<b>16,383</b>
EPS (Bt)	2.2	0.7	1.0	1.3	1.5
Normalized EPS (Bt)	1.1	0.7	1.0	1.3	1.5

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	110,000	87,355	70,040	71,108	78,719
Cash & cash equivalent	68,530	40,103	21,909	19,800	23,050
Account receivables	2,301	2,431	2,220	2,430	2,642
Inventories	31,967	37,820	38,304	40,550	43,973
Others	7,203	7,001	7,607	8,328	9,054
Investments & loans	14,310	14,961	14,961	14,961	14,961
Net fixed assets	118,444	118,115	128,583	139,565	149,069
Other assets	326,737	328,213	315,037	306,313	296,978
<b>Total assets</b>	<b>569,490</b>	<b>548,643</b>	<b>528,620</b>	<b>531,946</b>	<b>539,727</b>
<b>LIABILITIES:</b>					
Current liabilities:	118,395	90,763	111,828	116,440	124,316
Account payables	54,845	55,867	58,036	63,359	68,707
Bank overdraft & ST loans	29,198	1,637	18,729	17,767	16,902
Current LT debt	2,001	0	3,746	3,553	3,380
Others current liabilities	32,351	33,259	31,317	31,760	35,326
<b>Total LT debt</b>	<b>105,120</b>	<b>110,025</b>	<b>71,169</b>	<b>67,515</b>	<b>64,229</b>
Others LT liabilities	57,476	56,925	43,949	41,925	39,893
<b>Total liabilities</b>	<b>280,992</b>	<b>257,713</b>	<b>226,947</b>	<b>225,880</b>	<b>228,438</b>
Minority interest	501	583	570	532	494
Preferreds shares	0	0	0	0	0
Paid-up capital	5,290	5,290	5,290	5,290	5,290
Share premium	263,882	263,882	263,882	263,882	263,882
Warrants	0	0	0	0	0
Surplus	(6,874)	(7,009)	0	0	0
<b>Retained earnings</b>	<b>25,700</b>	<b>28,186</b>	<b>31,932</b>	<b>36,363</b>	<b>41,624</b>
Shareholders' equity	287,997	290,348	301,104	305,535	310,795
<b>Liabilities &amp; equity</b>	<b>569,490</b>	<b>548,643</b>	<b>528,620</b>	<b>531,946</b>	<b>539,727</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	8,937	9,579	11,059	15,403	19,228
Tax paid	(1,929)	(2,901)	(1,573)	(3,234)	(3,555)
Depreciation & amortization	4,842	14,117	14,728	16,332	18,016
Chg In working capital	10,195	(4,961)	1,896	2,867	1,713
Chg In other CA & CL / minorities	(69,401)	4,372	(1,735)	792	3,510
<b>Cash flow from operations</b>	<b>(47,355)</b>	<b>20,206</b>	<b>24,375</b>	<b>32,159</b>	<b>38,913</b>
Capex	(91,201)	(9,882)	(21,620)	(23,720)	(23,910)
Right of use	(28,147)	(4,243)	(212)	(212)	(212)
ST loans & investments	0	0	0	0	0
LT loans & investments	71,243	(651)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(226,866)	(3,853)	(3,164)	3,318	3,905
<b>Cash flow from investments</b>	<b>(274,971)</b>	<b>(18,629)</b>	<b>(24,996)</b>	<b>(20,614)</b>	<b>(20,217)</b>
Debt financing	128,266	(24,658)	(18,018)	(4,809)	(4,324)
Capital increase	263,482	0	0	0	0
Dividends paid	(4,800)	(5,290)	(6,565)	(8,846)	(11,122)
Warrants & other surplus	(6,610)	(56)	7,009	0	0
<b>Cash flow from financing</b>	<b>380,338</b>	<b>(30,004)</b>	<b>(17,573)</b>	<b>(13,654)</b>	<b>(15,446)</b>
<b>Free cash flow</b>	<b>(138,556)</b>	<b>10,324</b>	<b>2,755</b>	<b>8,439</b>	<b>15,003</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	31.0	48.1	35.9	27.9	22.6
Normalized PE - at target price (x)	39.9	61.9	46.2	35.9	29.1
PE (x)	15.8	48.1	35.9	27.9	22.6
PE - at target price (x)	20.3	61.9	46.2	35.9	29.1
EV/EBITDA (x)	18.5	14.3	13.6	11.8	10.2
EV/EBITDA - at target price (x)	22.5	17.8	16.9	14.6	12.6
P/BV (x)	1.3	1.3	1.2	1.2	1.2
P/BV - at target price (x)	1.7	1.6	1.6	1.6	1.5
P/CFO (x)	(4.6)	18.3	15.2	11.5	9.5
Price/sales (x)	1.4	0.8	0.7	0.7	0.6
Dividend yield (%)	2.1	1.5	2.1	2.7	3.3
FCF Yield (%)	(64.1)	2.8	0.7	2.3	4.1
<b>(Bt)</b>					
Normalized EPS	1.1	0.7	1.0	1.3	1.5
EPS	2.2	0.7	1.0	1.3	1.5
DPS	0.7	0.5	0.7	0.9	1.2
BV/share	27.2	27.4	28.5	28.9	29.4
CFO/share	(7.7)	1.9	2.3	3.0	3.7
FCF/share	(22.4)	1.0	0.3	0.8	1.4

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	21.6	75.6	8.7	9.5	8.7
Net profit (%)	108.6	(43.8)	34.0	28.8	23.4
EPS (%)	80.3	(67.2)	34.0	28.8	23.4
Normalized profit (%)	6.2	10.4	34.0	28.8	23.4
Normalized EPS (%)	(8.1)	(35.6)	34.0	28.8	23.4
Dividend payout ratio (%)	55.7	70.1	75.0	75.0	75.0
<b>Operating performance</b>					
Gross margin (%)	13.6	16.4	16.3	16.6	16.8
Operating margin (%)	4.0	3.6	3.5	3.8	4.1
EBITDA margin (%)	5.8	6.6	6.4	6.7	7.1
Net margin (%)	2.6	1.5	1.7	2.2	2.6
D/E (incl. minor) (x)	0.5	0.4	0.3	0.3	0.3
Net D/E (incl. minor) (x)	0.2	0.2	0.2	0.2	0.2
Interest coverage - EBIT (x)	6.7	2.3	2.7	3.8	4.6
Interest coverage - EBITDA (x)	9.9	4.3	4.9	6.8	8.0
ROA - using norm profit (%)	1.9	1.4	1.9	2.5	3.1
ROE - using norm profit (%)	4.5	2.7	3.5	4.4	5.3
<b>DuPont</b>					
ROE - using after tax profit (%)	4.4	2.4	3.0	4.1	5.0
- asset turnover (x)	0.7	0.8	0.9	1.0	1.1
- operating margin (%)	4.0	3.6	3.5	3.8	4.1
- leverage (x)	2.4	1.9	1.8	1.7	1.7
- interest burden (%)	85.2	57.4	62.4	73.7	78.4
- tax burden (%)	76.2	71.5	80.0	80.0	80.0
WACC (%)	8.5	8.5	8.5	8.5	8.5
ROIC (%)	40.4	3.4	3.9	4.5	5.2
NOPAT (Bt m)	7,996	11,944	14,175	16,712	19,609
invested capital (Bt m)	355,787	361,907	372,839	374,570	372,257

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 80.00** (From: Bt 77.00)

**Upside : 21.7%**

**20 JULY 2023**

# Central Pattana Pcl (CPN TB)

## Going mixed-use

Post-COVID, CPN is speeding up its new mall openings with five announced for launch in 2023-25. Along with new malls, it is ramping up new hotel openings near its existing malls to create a shopping mall ecosystem. We reaffirm our BUY with a higher Bt80 TP.



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### Finetuning earnings; maintaining BUY

We trim our normalized profits by 1-5% p.a. in 2023-25F on our lower same-store rent growth assumptions of 12/6/4% in those years from 19.1/6/4% earlier as we foresee a slower pace in the reduction of rental discounts in 2Q23F. We also revise up average gross margin in 2023-24F on the back of a strong margin turnaround YTD and we factor in another new branch in Krabi due to be opened in 4Q24F, on top of one branch at WestVille (4Q23F), two branches in Nakhon Sawan (1Q24F) and Nakhon Pathom (2Q24F) next year, and Dusit Central Park (2025F), that we have already factored into our projections. With our base year rollover to 2024F, we lift our SOTP-based 12-month TP by 4% to Bt80 from Bt77. We reaffirm our BUY rating.

### Rental rates normalizing

CPN's shopping malls experienced a fast turnaround with a swift fall in rental rate discounts to a normalized rate of a 4% discount in 1Q23 on mall traffic recovering to 90% of the pre-COVID level. As 2Q23F traffic and discount look set to be the same as in 1Q23, we adopt a more conservative assumption of no more discounts by year-end, from 5% above pre-COVID level earlier.

### Planning 37 hotels by 2026

Last year, CPN announced its plan to expand into the hotel business with a Bt10bn investment budget for 37 hotels in 27 provinces by 2026 to complement CPN's mixed-use projects. The hotels are to be under three brands – Centara (upscale), Centara One (lifestyle midscale), and Go! Hotel (premium budget). With this plan, CPN's hotel portfolio would rise to over 4,000 keys. Three hotels were launched at Centara Korat, Centara Ubon Ratchathani, and GO! Hotel Bowin. Five more are due to be launched in 2Q-4Q23, namely GO! Hotel Banchang, Sriracha, and Chonburi, Centara Ayutthaya, and Centara One Rayong. It expects hotel revenues to grow to 10% of the total in 2026, up from 3% in 2019.

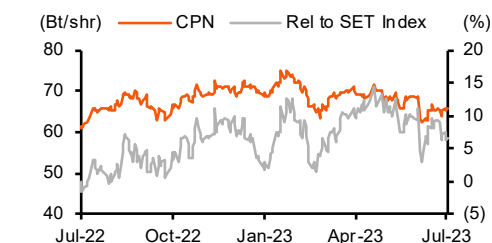
### Impact from CPNREIT's asset-renewal plan

As part of CPNREIT's plan for the lease extensions at Central Pinklao and Central Rama 2 malls, CPN is willing to increase its stake in CPNREIT from 30.3% to 40%. By doing this, CPNREIT's fund-raising plan could go through, and this would allow more asset injections into the REIT and continue to be CPN's funding channel. With the stake increase, this would spur CPN to consolidate CPNREIT, probably, at the earliest, from 3Q23.

### COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	36,343	38,413	41,816	43,889
Net profit	10,760	12,528	14,146	14,255
Consensus NP	—	12,651	14,218	14,399
Diff frm cons (%)	—	(1.0)	(0.5)	(1.0)
Norm profit	10,030	11,139	12,779	13,697
Prev. Norm profit	—	11,264	13,170	14,406
Chg frm prev (%)	—	(1.1)	(3.0)	(4.9)
Norm EPS (Bt)	2.2	2.5	2.8	3.1
Norm EPS grw (%)	196.8	11.1	14.7	7.2
Norm PE (x)	29.4	26.5	23.1	21.5
EV/EBITDA (x)	18.2	17.1	15.1	13.9
P/BV (x)	3.6	3.3	3.0	2.8
Div yield (%)	1.7	1.7	1.9	1.9
ROE (%)	13.0	13.1	13.7	13.4
Net D/E (%)	83.1	84.1	78.0	75.5

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	65.75
Market Cap (US\$ m)	8,660.2
Listed Shares (m shares)	4,488.0
Free Float (%)	68.3
Avg Daily Turnover (US\$ m)	14.9
12M Price H/L (Bt)	74.75/60.75
Sector	PROP
Major Shareholder	Central Holding Co., Ltd 26.21%

Sources: Bloomberg, Company data, Thanachart estimates

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**Ex 1: Our Sum-of-the-parts Valuation**

<b>SOTP valuation</b>			<b>(Bt m)</b>
Risk-free rate (Rf) (%)	2.5	<b>Total present value of FCF</b>	<b>414,939</b>
Market risk premium (Rm-Rf) (%)	8.0	Less: net debt	81,752
Beta	0.90	Less: minority interest	8,237
Cost of equity (Ke) (%)	9.7	<b>Equity value</b>	<b>324,950</b>
After-tax cost of debt (Kd) (%)	1.8	No of shares (end-2023F) (m)	4,488
Debt to total assets (%)	35.0	<b>Equity value/share (Bt/share)</b>	<b>72.40</b>
<b>WACC (%)</b>	<b>7.0</b>	<u>plus</u> Value of CPNREIT (30.3%-owned) (Bt/CPN share)	<b>3.55</b>
		Value of CPNCG (25%-owned) (Bt/CPN share)	<b>0.28</b>
		Value of six land plots (Bt/CPN share)	<b>3.76</b>
		<b>CPN's SOTP-based target price (Bt/share)</b>	<b>80.00</b>

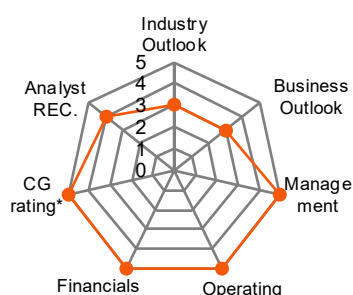
Source: Thanachart estimates

## COMPANY DESCRIPTION

Central Pattana Pcl (CPN) is Thailand's largest shopping mall developer with more than 30 years of experience. CPN currently manages 38 shopping malls, seven office buildings, five hotels and residential projects. The company is the leader in the retail development and management sector with the biggest share of Bangkok's retail market. It also invests in property fund/REITs with a 30.3% holding in CPNREIT and 25.0% in CPNCG.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Market leader with the most proactive expansion plans.
- The major shareholder, the Chirathivat family, has many businesses under its wing, mostly retail. Thus, a certain occupancy level is secured prior to project launches.
- Prime locations secured in Bangkok and first-tier provinces.

### O — Opportunity

- Expansion into second-tier provinces and Bangkok's suburbs.
- Opportunities to expand shopping malls in markets abroad, particularly Southeast Asian countries.

### W — Weakness

- Highly capital-intensive business.
- Long payback period.

### T — Threat

- Indirect competition from hypermarkets, especially upcountry.
- Risk of leasehold projects not being renewed.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	80.86	80.00	-1%
<b>Net profit 23F (Bt m)</b>	12,651	12,528	-1%
<b>Net profit 24F (Bt m)</b>	14,218	14,146	-1%
<b>Consensus REC</b>	<b>BUY: 20</b>	<b>HOLD: 4</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F net profits are in line with the Bloomberg consensus estimates.
- Our SOTP-derived TP is also in line with the Street's.

Sources: Bloomberg consensus, Thanachart estimates

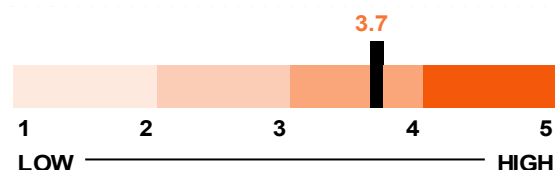
## RISKS TO OUR INVESTMENT CASE

- A slow economy would affect purchasing power, CPN's ability to increase rental rates, occupancy, and branch expansion, and represents the key downside risk to our call.
- Future unexpected events such as the closure and fire at CentralWorld in the past would cause an earnings hiccup, and present a secondary downside risk.

Source: Thanachart

CPN is Thailand’s largest shopping mall developer, managing 36 shopping malls in Thailand and one in Malaysia. It also has office buildings for rent and hotel assets. By business nature, it doesn’t release much greenhouse gas. CPN complies with many international environmental standards and attaches high importance to ESG issues with targets and plans. Our ESG score is, therefore, quite high at 3.7.

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)
CPN	YES	YES	YES	BBB	55.66	70.41	81.00	35.0	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

- CPN’s business doesn’t create much greenhouse gas (GHG) emissions by nature. However, it still targets to reduce Scope 1 and 2 GHG emission intensity by 20% from the 2015 level and become a net-zero emission organization by 2050.
- CPN complies with international standards of environmental management (ISO 14001), greenhouse gas management (ISO 14064-1), energy management (ISO 50001), and Leadership in Energy & Environmental Design (LEED).
- In 2022, CPN released scope 1 and 2 greenhouse gas (GHG) emissions of 0.24mt of CO2 equivalent.
- CPN targets to increase the use of recycled water to 20% of total water consumption.
- CPN says it develops shopping centers to be a “destination of life” rather than a place for shopping and it creates excellence in resource and environmental management.

**SOCIAL**

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

- CPN provides fair and proper treatment of employees in compensation, job assignments, job transfers and competency development. It also says it ensures safety at its workplaces for employees.
- In 2022, CPN conducted two employee engagement surveys with a 76% engagement score. It also carried out the Employer of Choice plan, including its Build & Buy program, which helped fill 30% of vacant positions through internal recruitment.
- In 2022, CPN’s employees contributed 26,426 hours of volunteer service to participate in CPN Volunteer activities.
- In 2022, 4,704 employees were trained in various courses at a cost of Bt3,002/person.

**GOVERNANCE & SUSTAINABILITY**

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

- The Board of Directors (BOD) comprises 14 members, of whom four are independent directors. Eight of the board members are Chirathivat family members.
- The BOD chairman and President & CEO are two separate persons for a clear-cut segregation of roles and balance in the operation.
- CPN says it upholds ethics in all our business dealings, emphasizes good corporate governance, and promotes personnel responsibility in forging integrity and trustworthiness for themselves and others.
- The Risk Policy Committee reviews overall risk management, acknowledges key risks and monitors suitable responses, and comments on CPN’s annual risk-management strategy analysis.

Sources: Thanachart, Company data

**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	24,515	36,343	38,413	41,816	43,889
Cost of sales	14,784	18,033	18,058	18,823	19,337
<b>Gross profit</b>	<b>9,731</b>	<b>18,310</b>	<b>20,355</b>	<b>22,993</b>	<b>24,552</b>
% gross margin	39.7%	50.4%	53.0%	55.0%	55.9%
Selling & administration expenses	5,499	6,534	7,106	7,527	7,681
<b>Operating profit</b>	<b>4,231</b>	<b>11,776</b>	<b>13,249</b>	<b>15,466</b>	<b>16,872</b>
% operating margin	17.3%	32.4%	34.5%	37.0%	38.4%
Depreciation & amortization	8,124	8,550	8,848	9,624	10,502
<b>EBITDA</b>	<b>12,356</b>	<b>20,326</b>	<b>22,097</b>	<b>25,090</b>	<b>27,373</b>
% EBITDA margin	50.4%	55.9%	57.5%	60.0%	62.4%
Non-operating income	1,123	1,316	1,230	1,281	1,435
Non-operating expenses	0	0	0	0	0
Interest expense	(1,790)	(2,204)	(2,224)	(2,287)	(2,347)
<b>Pre-tax profit</b>	<b>3,564</b>	<b>10,889</b>	<b>12,255</b>	<b>14,461</b>	<b>15,960</b>
Income tax	807	2,304	2,696	3,181	3,511
<b>After-tax profit</b>	<b>2,757</b>	<b>8,585</b>	<b>9,559</b>	<b>11,280</b>	<b>12,449</b>
% net margin	11.2%	23.6%	24.9%	27.0%	28.4%
Shares in affiliates' Earnings	704	1,560	1,672	1,601	1,360
Minority interests	(81)	(114)	(91)	(101)	(111)
Extraordinary items	3,769	730	1,388	1,367	558
<b>NET PROFIT</b>	<b>7,148</b>	<b>10,760</b>	<b>12,528</b>	<b>14,146</b>	<b>14,255</b>
<b>Normalized profit</b>	<b>3,379</b>	<b>10,030</b>	<b>11,139</b>	<b>12,779</b>	<b>13,697</b>
EPS (Bt)	1.6	2.4	2.8	3.2	3.2
Normalized EPS (Bt)	0.8	2.2	2.5	2.8	3.1

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	22,948	25,242	26,462	29,141	31,215
Cash & cash equivalent	6,057	6,121	6,374	7,474	8,674
Account receivables	4,203	2,915	3,157	3,437	3,607
Inventories	0	0	0	0	0
Others	12,688	16,206	16,930	18,229	18,933
Investments & loans	41,038	41,306	41,306	41,306	41,306
Net fixed assets	169,848	172,707	186,659	201,235	219,733
Other assets	29,587	33,436	35,341	33,472	30,131
<b>Total assets</b>	<b>263,421</b>	<b>272,692</b>	<b>289,768</b>	<b>305,154</b>	<b>322,386</b>
<b>LIABILITIES:</b>					
Current liabilities:	43,492	42,032	42,282	43,250	45,830
Account payables	708	1,274	1,237	1,289	1,324
Bank overdraft & ST loans	17,959	13,310	13,219	13,535	14,304
Current LT debt	14,009	15,966	14,982	15,340	16,211
Others current liabilities	10,817	11,481	12,845	13,085	13,991
<b>Total LT debt</b>	<b>49,753</b>	<b>51,329</b>	<b>59,926</b>	<b>61,360</b>	<b>64,844</b>
Others LT liabilities	88,100	89,711	90,406	94,478	96,959
<b>Total liabilities</b>	<b>181,346</b>	<b>183,072</b>	<b>192,615</b>	<b>199,088</b>	<b>207,633</b>
Minority interest	8,973	8,145	8,237	8,338	8,450
Preferreds shares	0	0	0	0	0
Paid-up capital	2,244	2,244	2,244	2,244	2,244
Share premium	8,559	8,559	8,559	8,559	8,559
Warrants	0	0	0	0	0
Surplus	(619)	(326)	(326)	(326)	(326)
<b>Retained earnings</b>	<b>62,919</b>	<b>70,998</b>	<b>78,440</b>	<b>87,251</b>	<b>95,826</b>
Shareholders' equity	73,102	81,475	88,916	97,728	106,303
<b>Liabilities &amp; equity</b>	<b>263,421</b>	<b>272,692</b>	<b>289,768</b>	<b>305,154</b>	<b>322,386</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	3,564	10,889	12,255	14,461	15,960
Tax paid	(918)	(1,855)	(2,791)	(3,040)	(3,509)
Depreciation & amortization	8,124	8,550	8,848	9,624	10,502
Chg In working capital	(588)	1,854	(280)	(227)	(135)
Chg In other CA & CL / minorities	438	(2,762)	2,014	(3)	1,145
<b>Cash flow from operations</b>	<b>10,621</b>	<b>16,675</b>	<b>20,047</b>	<b>20,815</b>	<b>23,963</b>
Capex	(14,748)	(11,409)	(22,800)	(24,200)	(29,000)
Right of use	0	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(31,920)	(268)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	1,662	(1,432)	571	7,712	6,794
<b>Cash flow from investments</b>	<b>(45,006)</b>	<b>(13,109)</b>	<b>(22,229)</b>	<b>(16,488)</b>	<b>(22,206)</b>
Debt financing	34,054	(1,116)	7,521	2,108	5,124
Capital increase	0	0	0	0	0
Dividends paid	(3,136)	(2,709)	(5,086)	(5,335)	(5,680)
Warrants & other surplus	300	321	0	0	0
<b>Cash flow from financing</b>	<b>31,218</b>	<b>(3,503)</b>	<b>2,435</b>	<b>(3,227)</b>	<b>(557)</b>
<b>Free cash flow</b>	<b>(4,127)</b>	<b>5,266</b>	<b>(2,753)</b>	<b>(3,385)</b>	<b>(5,037)</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	87.3	29.4	26.5	23.1	21.5
Normalized PE - at target price (x)	106.2	35.8	32.2	28.1	26.2
PE (x)	41.3	27.4	23.6	20.9	20.7
PE - at target price (x)	50.2	33.4	28.7	25.4	25.2
EV/EBITDA (x)	30.0	18.2	17.1	15.1	13.9
EV/EBITDA - at target price (x)	35.2	21.3	19.9	17.6	16.3
P/BV (x)	4.0	3.6	3.3	3.0	2.8
P/BV - at target price (x)	4.9	4.4	4.0	3.7	3.4
P/CFO (x)	27.8	17.7	14.7	14.2	12.3
Price/sales (x)	12.0	8.1	7.7	7.1	6.7
Dividend yield (%)	0.9	1.7	1.7	1.9	1.9
FCF Yield (%)	(1.4)	1.8	(0.9)	(1.1)	(1.7)
<b>(Bt)</b>					
Normalized EPS	0.8	2.2	2.5	2.8	3.1
EPS	1.6	2.4	2.8	3.2	3.2
DPS	0.6	1.2	1.1	1.3	1.3
BV/share	16.3	18.2	19.8	21.8	23.7
CFO/share	2.4	3.7	4.5	4.6	5.3
FCF/share	(0.9)	1.2	(0.6)	(0.8)	(1.1)

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	(8.3)	48.2	5.7	8.9	5.0
Net profit (%)	(25.2)	50.5	16.4	12.9	0.8
EPS (%)	(25.2)	50.5	16.4	12.9	0.8
Normalized profit (%)	(35.7)	196.8	11.1	14.7	7.2
Normalized EPS (%)	(35.7)	196.8	11.1	14.7	7.2
Dividend payout ratio (%)	37.7	48.0	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	39.7	50.4	53.0	55.0	55.9
Operating margin (%)	17.3	32.4	34.5	37.0	38.4
EBITDA margin (%)	50.4	55.9	57.5	60.0	62.4
Net margin (%)	11.2	23.6	24.9	27.0	28.4
D/E (incl. minor) (x)	1.0	0.9	0.9	0.9	0.8
Net D/E (incl. minor) (x)	0.9	0.8	0.8	0.8	0.8
Interest coverage - EBIT (x)	2.4	5.3	6.0	6.8	7.2
Interest coverage - EBITDA (x)	6.9	9.2	9.9	11.0	11.7
ROA - using norm profit (%)	1.3	3.7	4.0	4.3	4.4
ROE - using norm profit (%)	4.8	13.0	13.1	13.7	13.4
<b>DuPont</b>					
ROE - using after tax profit (%)	3.9	11.1	11.2	12.1	12.2
- asset turnover (x)	0.1	0.1	0.1	0.1	0.1
- operating margin (%)	21.8	36.0	37.7	40.1	41.7
- leverage (x)	3.7	3.5	3.3	3.2	3.1
- interest burden (%)	66.6	83.2	84.6	86.3	87.2
- tax burden (%)	77.4	78.8	78.0	78.0	78.0
WACC (%)	7.0	7.0	7.0	7.0	7.0
ROIC (%)	3.1	6.2	6.6	7.1	7.3
NOPAT (Bt m)	3,273	9,284	10,334	12,064	13,160
invested capital (Bt m)	148,766	155,960	170,669	180,488	192,987

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)**TP: Bt 54.00** (From: Bt 53.00)**20 JULY 2023**

Change in Numbers

Upside : 32.5%

# Central Retail Corp Pcl (CRC TB)

## A growth stock beyond COVID

We reaffirm our BUY call on CRC as a top sector pick for an unfinished turnaround with a rebound in its fashion segment for both sales and gross margin, and a better food business from a new food strategy. We forecast core earnings to more than double in four years.

**PHANNARAI TIYAPITTAYARUT**

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### Unfinished earnings turnaround

We see CRC as a big-cap growth stock beyond the post-COVID recovery. We estimate core profit to more than double in four years from Bt6.9bn last year to Bt14.8bn in 2026F. Drivers would be the department store remodeling (store upgrading to a higher segment with a rising higher-margin mix), a new food business strategy (new food store formats), and more hardline store openings (10-14 new Thai Watsadu stores each year in 2023-27F). We have not yet factored in its sizable new food store planned to be launched in 4Q23 and future M&As.

### Operational update

2Q23F same-store sales (SSS) growth slowed to 4% from 13% in 1Q23. The reasons were the higher sales base in 2Q22 as COVID subsided and the country reopened, and disappointing sales in Vietnam. Its businesses in Vietnam were hit by the slow economy from weaker-than-expected exports, so Vietnam's SSSG was negative in the low teens (high-teens negative SSSG for Nguyen Kim electronics stores and mid-to-high single-digit negative SSSG for its hypermarkets/supermarkets) in 2Q23F, while SSSG was strong at 5% in Thailand and in the mid-20s in Italy. To recap, Vietnam contributed 24% of 2022 total sales.

### Long-term business drivers

CRC operates businesses in four segments: food (40% of 2022 sales), hardline (34%), fashion (26%), and property space rental (4% of 2022 total revenues but 18% of 2022 EBITDA). Last year, food and hardline sales surpassed pre-COVID 2019 sales, while fashion was still 14% short of the 2019 level. Therefore, CRC expects stronger sales in fashion than other segments in 2023-24F. Long-term growth will likely come from Thailand and Vietnam, while it doesn't plan to open new department stores in Italy (7% of 2022 sales). In Thailand, it targets to open 1-2 department stores/year, 10 Thai Watsadu home-improvement stores/year at least until 2027 (14 this year), and 40 new food outlets/year, and launch a new food wholesale business in 4Q23. In Vietnam, it sees high growth potential and expects the sales contribution to rise from 24% last year to 30% by 2027, driven by food and property rental.

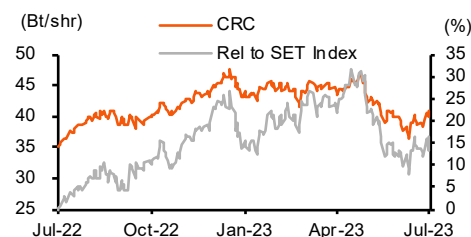
### Reaffirming BUY

We cut our earnings by 1-6% p.a. in 2023-25F as we lower our SSSG assumption to 5.3% in 2023F from 6.0%. But our DCF-based 12-month TP rises by 2% to Bt54 from Bt53 as we roll over our base year to 2024F. We reaffirm our BUY rating and see CRC as a growth stock with a 23% three-year core EPS CAGR. Beyond 2025F, growth should continue from organic branch expansion plus potential upside from new businesses and future M&As. CRC's share price has fallen to below its Bt42 IPO price again while we project record core profit this year, 20% higher than in 2019.

### COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	219,898	245,369	277,998	308,497
Net profit	7,175	8,827	11,246	12,976
Consensus NP	—	8,578	10,817	12,690
Diff frm cons (%)	—	2.9	4.0	2.3
Norm profit	6,930	8,827	11,246	12,976
Prev. Norm profit	—	8,928	11,702	13,865
Chg frm prev (%)	—	(1.1)	(3.9)	(6.4)
Norm EPS (Bt)	1.1	1.5	1.9	2.2
Norm EPS grw (%)	11,573	27.4	27.4	15.4
Norm PE (x)	35.5	27.8	21.9	18.9
EV/EBITDA (x)	10.8	9.4	8.2	7.4
P/BV (x)	4.0	3.6	3.3	3.0
Div yield (%)	1.2	1.4	1.8	2.1
ROE (%)	11.7	13.6	15.0	16.4
Net D/E (%)	101.2	90.7	80.2	63.9

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	40.75
Market Cap (US\$ m)	7,212.6
Listed Shares (m shares)	6,031.0
Free Float (%)	54.6
Avg Daily Turnover (US\$ m)	13.7
12M Price H/L (Bt)	47.50/35.00
Sector	Commerce
Major Shareholder	Harg Central Department Store Co.,Ltd. 35.06%

Sources: Bloomberg, Company data, Thanachart estimates

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**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	37,611	40,504	42,919	43,924	44,498	44,837	45,906	47,919	49,377	52,342	55,515	
Free cash flow	13,129	16,165	18,225	24,014	26,427	26,645	27,380	32,040	33,092	35,608	38,492	566,697
PV of free cash flow	13,129	13,865	14,477	17,665	17,609	16,370	15,511	16,736	15,934	15,810	15,018	221,109
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	8.0											
Terminal growth (%)	2.0											
Enterprise value - add investments	393,233											
Net debt	64,351											
Minority interest	3,212											
Equity value	325,670											
# of shares (m)	6,031											
<b>Equity value/share (Bt)</b>	<b>54</b>											

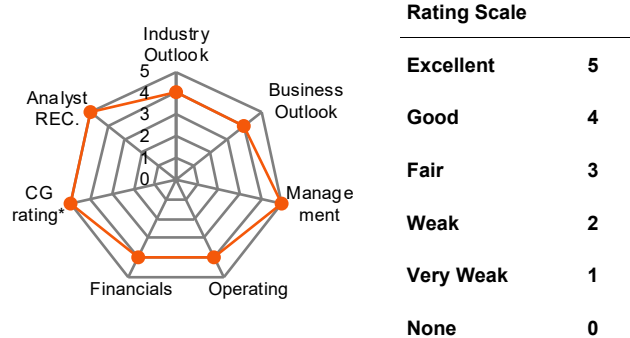
Source: Company, Thanachart estimates

## COMPANY DESCRIPTION

Central Retail Corporation Pcl (CRC) is Thailand's leading retailer under Central Group's Chirathivat family. It operates multi-retail businesses (fashion, hardline, food) in eight retail formats (department stores, specialty stores, brand shops, supermarkets, hypermarkets, convenience stores, retail plazas, sales counters) in three countries (Thailand, Vietnam, and Italy). As of end-2022, it operated a net selling area of 3.3m sqm and net leasable area of 0.74m sqm.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \* No CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Retail market leader in Thailand with multiple retail formats.
- Accelerating omni-channel platform in response to new consumption trends.
- Strong market position in each retail segment.

### O — Opportunity

- Room to open more Thai Watsadu stores in the growing home-improvement sector.
- Strong growth opportunities in Vietnam from higher population, strong economic growth and low modern-trade penetration.
- More M&As.

### W — Weakness

- Low returns on some businesses with model adjustments needed.
- Highly capital-intensive business and high operating expenses.

### T — Threat

- Competition from new entrants.
- Weak Thai economy.
- Pandemic.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	50.76	54.00	6%
Net profit 23F (Bt m)	8,578	8,827	3%
Net profit 24F (Bt m)	10,817	11,246	4%
<b>Consensus REC</b>	<b>BUY: 19</b>	<b>HOLD: 5</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F net profits are 3-4% higher than the Bloomberg consensus estimates. This could be due to our higher gross margin assumptions for fashion sales and the lower fuel tariff.
- Our DCF-based TP is, therefore, 6% above the street's.

Sources: Bloomberg consensus, Thanachart estimates

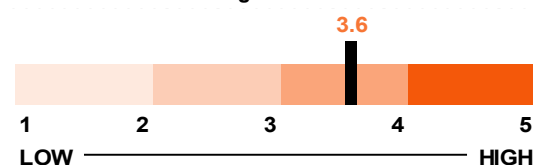
## RISKS TO OUR INVESTMENT CASE

- There would be downside risk to our earnings forecasts if CRC fails to open new stores in line with our current expectations.
- Earnings growth could be hindered if competitors open stores more aggressively than we presently expect.
- An economic slowdown would be a secondary downside risk to our call.

Source: Thanachart

CRC is a multi-category retailer with various types of retail store formats in the fashion, food, and hardline segments in Thailand, Vietnam, and Italy. It operates total space of 4.0m sqm. Our ESG score for CRC is relatively high at 3.6 as its business doesn't create much greenhouse gas, and the company has clear targets and plans for ESG issues.

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)
CRC	YES	YES	YES	BBB	-	52.16	73.00	-	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

- Despite its business nature of not generating much greenhouse gas (GHG), CRC still sets ESG goals. By 2030 it targets to achieve the use of 100% friendly packaging, reduce food losses and waste by 30% (from 3,785 tonnes of food waste in 2021), and cut GHG emissions by 30% from 0.4m tonnes of CO2 equivalent in 2021 (baseline year).
- Since 2018, it has complied with its "Central Retail Love the Earth" campaign that focuses on waste reduction (Journey to Zero), an increase in green area (Central Green), and forest restoration. It increased its forest restoration area to 5,519 rai in 2022.
- In 2022, 43 additional solar cell rooftops were installed, bringing the total to 83 (one Robinson department store, 24 Robinson LifeStyle malls, 38 Thai Watsadu and BnB stores in Thailand, and 20 GO! Mall outlets in Vietnam).

**SOCIAL**

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

- In 2022, the average employee training and development time was 14.9 hours/person/year with an average cost of Bt2,133/person.
- In 2022, employee engagement level was 72% and it targets to increase to 80% by 2024.
- Its Employee Joint Investment Program (EJIP) was established to encourage employee ownership of the company. The project timeline is from 1 April 2021 to 31 March 2024.
- CRC selects products that are safe and of the highest quality by conducting inspections for the whole supply chain in compliance with the Food Safety System Certification (FSSC 22000). In 2022, total product recalls were at 30 SKUs with expenses of Bt0.3m incurred.

**GOVERNANCE & SUSTAINABILITY**

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

- The board of directors (BOD) comprises 15 members, five of whom are independent directors. Three directors are women, and eight directors are from the Chirathivat family.
- Confirmed breaches of business ethics fell from 77 cases in 2019 to 62 in 2020, 49 in 2021 and 28 in 2022. Most involved internal regulatory non-compliance.
- CRC has established risk-management guidelines according to international standards.
- CRC aims to effectively promote a risk culture within the organization. This starts with raising risk awareness among employees at all levels through training in risk management, which includes workplace safety and personal data privacy issues.
- CRC has an information system that enhances risk-management efficiency. The system helps support risk information, performance data, and risk management reporting to communicate the risk-management results to stakeholders.

Sources: Company data, Thanachart

**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	181,791	219,898	245,369	277,998	308,497
Cost of sales	135,847	159,647	176,006	199,232	221,426
<b>Gross profit</b>	<b>45,944</b>	<b>60,251</b>	<b>69,363</b>	<b>78,766</b>	<b>87,071</b>
% gross margin	25.3%	27.4%	28.3%	28.3%	28.2%
Selling & administration expenses	57,068	64,540	71,663	80,229	88,606
<b>Operating profit</b>	<b>2,518</b>	<b>11,539</b>	<b>14,861</b>	<b>17,735</b>	<b>19,757</b>
% operating margin	1.4%	5.2%	6.1%	6.4%	6.4%
Depreciation & amortization	17,041	17,171	18,145	19,876	20,747
<b>EBITDA</b>	<b>19,559</b>	<b>28,709</b>	<b>33,006</b>	<b>37,611</b>	<b>40,504</b>
% EBITDA margin	10.8%	13.1%	13.5%	13.5%	13.1%
Non-operating income	13,863	16,041	17,346	19,402	21,506
Non-operating expenses	0	0	0	0	0
Interest expense	(3,113)	(3,479)	(4,242)	(4,368)	(4,268)
<b>Pre-tax profit</b>	<b>(374)</b>	<b>8,273</b>	<b>10,804</b>	<b>13,571</b>	<b>15,703</b>
Income tax	(372)	1,733	2,377	2,714	3,141
<b>After-tax profit</b>	<b>(2)</b>	<b>6,540</b>	<b>8,427</b>	<b>10,857</b>	<b>12,562</b>
% net margin	0.0%	3.0%	3.4%	3.9%	4.1%
Shares in affiliates' Earnings	279	820	850	900	980
Minority interests	(217)	(430)	(450)	(510)	(566)
Extraordinary items	0	245	0	0	0
<b>NET PROFIT</b>	<b>59</b>	<b>7,175</b>	<b>8,827</b>	<b>11,246</b>	<b>12,976</b>
<b>Normalized profit</b>	<b>59</b>	<b>6,930</b>	<b>8,827</b>	<b>11,246</b>	<b>12,976</b>
EPS (Bt)	0.0	1.2	1.5	1.9	2.2
Normalized EPS (Bt)	0.0	1.1	1.5	1.9	2.2

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	69,918	76,532	85,339	95,671	104,980
Cash & cash equivalent	18,088	15,617	18,181	19,204	20,040
Account receivables	4,860	5,421	6,722	9,140	10,142
Inventories	36,516	43,675	47,256	52,401	58,238
Others	10,455	11,819	13,179	14,926	16,559
Investments & loans	5,559	6,318	6,318	6,318	6,318
Net fixed assets	43,359	49,045	57,477	57,601	56,854
Other assets	144,392	144,090	144,988	149,457	149,806
<b>Total assets</b>	<b>263,228</b>	<b>275,984</b>	<b>294,122</b>	<b>309,047</b>	<b>317,958</b>
<b>LIABILITIES:</b>					
Current liabilities:	111,662	108,488	117,729	124,729	127,361
Account payables	35,632	39,828	43,399	49,126	54,598
Bank overdraft & ST loans	36,905	34,954	41,266	41,170	37,939
Current LT debt	13,418	6,561	4,127	4,117	3,794
Others current liabilities	25,707	27,145	28,938	30,316	31,030
<b>Total LT debt</b>	<b>28,517</b>	<b>39,780</b>	<b>37,139</b>	<b>37,053</b>	<b>34,145</b>
Others LT liabilities	63,968	62,831	68,304	68,573	69,062
<b>Total liabilities</b>	<b>204,147</b>	<b>211,099</b>	<b>223,172</b>	<b>230,355</b>	<b>230,568</b>
Minority interest	2,693	2,762	3,212	3,723	4,289
Preferreds shares	0	0	0	0	0
Paid-up capital	6,031	6,031	6,031	6,031	6,031
Share premium	66,885	66,761	66,761	66,761	66,761
Warrants	0	0	0	0	0
Surplus	(24,951)	(24,459)	(24,459)	(24,459)	(24,459)
<b>Retained earnings</b>	<b>8,424</b>	<b>13,790</b>	<b>19,404</b>	<b>26,636</b>	<b>34,767</b>
Shareholders' equity	56,388	62,123	67,737	74,969	83,101
<b>Liabilities &amp; equity</b>	<b>263,228</b>	<b>275,984</b>	<b>294,122</b>	<b>309,047</b>	<b>317,958</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	(374)	8,273	10,804	13,571	15,703
Tax paid	694	(1,458)	(2,394)	(2,563)	(3,078)
Depreciation & amortization	17,041	17,171	18,145	19,876	20,747
Chg In working capital	1,552	(3,524)	(1,312)	(1,835)	(1,368)
Chg In other CA & CL / minorities	3,913	1,237	1,297	379	(1)
<b>Cash flow from operations</b>	<b>22,826</b>	<b>21,698</b>	<b>26,539</b>	<b>29,428</b>	<b>32,003</b>
Capex	(18,745)	(22,856)	(26,577)	(20,000)	(20,000)
Right of use	1,691	2,059	103	5	5
ST loans & investments	(98)	98	4	0	0
LT loans & investments	(2,926)	(759)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(20,297)	(3,725)	4,471	(4,204)	135
<b>Cash flow from investments</b>	<b>(40,375)</b>	<b>(25,184)</b>	<b>(21,999)</b>	<b>(24,199)</b>	<b>(19,860)</b>
Debt financing	14,960	2,455	1,237	(191)	(6,463)
Capital increase	0	(123)	0	0	0
Dividends paid	(2,412)	(1,809)	(3,213)	(4,015)	(4,845)
Warrants & other surplus	5,348	492	0	0	0
<b>Cash flow from financing</b>	<b>17,895</b>	<b>1,014</b>	<b>(1,976)</b>	<b>(4,206)</b>	<b>(11,308)</b>
<b>Free cash flow</b>	<b>4,080</b>	<b>(1,158)</b>	<b>(38)</b>	<b>9,428</b>	<b>12,003</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	4,139.5	35.5	27.8	21.9	18.9
Normalized PE - at target price (x)	5,485.5	47.0	36.9	29.0	25.1
PE (x)	4,139.5	34.3	27.8	21.9	18.9
PE - at target price (x)	5,485.5	45.4	36.9	29.0	25.1
EV/EBITDA (x)	15.7	10.8	9.4	8.2	7.4
EV/EBITDA - at target price (x)	19.8	13.6	11.8	10.3	9.4
P/BV (x)	4.4	4.0	3.6	3.3	3.0
P/BV - at target price (x)	5.8	5.2	4.8	4.3	3.9
P/CFO (x)	10.8	11.3	9.3	8.4	7.7
Price/sales (x)	1.4	1.1	1.0	0.9	0.8
Dividend yield (%)	0.7	1.2	1.4	1.8	2.1
FCF Yield (%)	1.7	(0.5)	(0.0)	3.8	4.9
<b>(Bt)</b>					
Normalized EPS	0.0	1.1	1.5	1.9	2.2
EPS	0.0	1.2	1.5	1.9	2.2
DPS	0.3	0.5	0.6	0.7	0.9
BV/share	9.3	10.3	11.2	12.4	13.8
CFO/share	3.8	3.6	4.4	4.9	5.3
FCF/share	0.7	(0.2)	(0.0)	1.6	2.0

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	1.0	21.0	11.6	13.3	11.0
Net profit (%)	28.3	11,985.2	23.0	27.4	15.4
EPS (%)	24.5	11,985.2	23.0	27.4	15.4
Normalized profit (%)	28.3	11,572.9	27.4	27.4	15.4
Normalized EPS (%)	24.5	11,572.9	27.4	27.4	15.4
Dividend payout ratio (%)	3,047.5	40.3	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	25.3	27.4	28.3	28.3	28.2
Operating margin (%)	1.4	5.2	6.1	6.4	6.4
EBITDA margin (%)	10.8	13.1	13.5	13.5	13.1
Net margin (%)	(0.0)	3.0	3.4	3.9	4.1
D/E (incl. minor) (x)	1.3	1.3	1.2	1.0	0.9
Net D/E (incl. minor) (x)	1.0	1.0	0.9	0.8	0.6
Interest coverage - EBIT (x)	0.8	3.3	3.5	4.1	4.6
Interest coverage - EBITDA (x)	6.3	8.3	7.8	8.6	9.5
ROA - using norm profit (%)	0.0	2.6	3.1	3.6	4.1
ROE - using norm profit (%)	0.1	11.7	13.6	15.0	16.4
<b>DuPont</b>					
ROE - using after tax profit (%)	na	11.0	13.0	14.5	15.9
- asset turnover (x)	0.7	0.8	0.9	0.9	1.0
- operating margin (%)	na	5.3	6.1	6.5	6.5
- leverage (x)	4.6	4.5	4.4	4.1	4.0
- interest burden (%)	(13.7)	70.4	71.8	75.6	78.6
- tax burden (%)	na	79.1	78.0	80.0	80.0
WACC (%)	8.0	8.0	8.0	8.0	8.0
ROIC (%)	2.5	7.8	9.1	10.7	11.4
NOPAT (Bt m)	2,518	9,122	11,592	14,188	15,806
invested capital (Bt m)	117,140	127,801	132,088	138,105	138,938

Sources: Company data, Thanachart estimates

BUY (Unchanged)

TP: Bt 22.00

(From: Bt 21.50)

Change in Numbers

Upside : 36.6%

20 JULY 2023

# Siam Global House Pcl (GLOBAL TB)

## Steel price continues downtrend

As steel prices reversed to trend down in 2Q23, we expect it to be another weak quarter. We reaffirm our BUY call with a new Bt22.0 TP as we believe GLOBAL is only in a mid-growth cycle where we expect store numbers to double given expanding private brands and rising overseas contributions.



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### Cutting our earnings forecasts

The downtrend in China's construction activity from reduced infrastructure stimulus and the weak real-estate market have pressured steel prices to reverse their upward trend. After an increase of 16% q-q in 1Q23, steel prices fell by 14% q-q in 2Q23 to US\$523/tonne, back to the 2022 low in 4Q22. As steel products contribute 15% of GLOBAL's sales, we cut our earnings forecasts by another 1-3% p.a. in 2023-25F on lower SSSG assumptions. We now expect -5.5% SSSG this year (from -4.5% SSSG earlier) and GLOBAL's gross margin to fall from last year's record of 25.8% by 32bp to 25.5%. We estimate a 7% drop in core EPS this year. Despite our earnings cut, our DCF-based 12-month TP rises by 2% to Bt22.0 on a base year rollover to 2024F.

### Another weak quarter in 2Q23F

GLOBAL delivered record profits during the COVID years up until 4Q22 when there was a negative impact from falling steel prices and lower steel volume sales. Since the 2Q23 steel price was 28% lower than that in 2Q22 and management has guided for a continued decline in steel sales volume as customers don't stock up on steel when prices are trending down, we estimate SSSG of -7.5% in 2Q23F and for gross margin to narrow by 140bp y-y to 25.05% from its best-ever quarterly gross margin of 26.45% in 2Q22. Altogether, we expect this to lead to a 25-30% y-y decline in 2Q23F net profit.

### Still strong, excluding steel impact

Excluding steel, we see -1% SSSG in 1Q23 (vs. the reported -8.7%) and flat SSSG in 2Q23F (vs. our overall -7.5% estimate), when we calculate 1H23F same-store sales to be 11% above the pre-COVID 1H19 level. On top are sales from new stores as it expanded from 61 branches nationwide in 2Q19 to 80 in 2Q23. Though falling steel prices should cut the 1H23F gross margin to 25.05%, it is far higher than the 19.3% in 1H19, driven by scale benefits and the private-label sales mix rising from 17% to 24%.

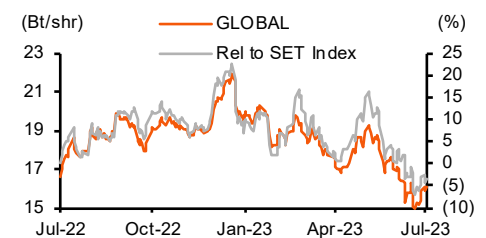
### Cheap among big-box retailers

We see GLOBAL's falling profit this year as just a hiccup and estimate strong 14/15% EPS growth in 2024-25F. In our view, GLOBAL is in the middle of its growth cycle as its store number has room to double from here (it has identified potential store opening locations in 100 secondary districts upcountry where its current exposure is only 30) with a medium-term house-brand target of a 30% sales mix along with home-improvement store expansion opportunities overseas. Its 24.6x 2023F PE multiple is below the 29.3x average of the six big-box retailers.

### COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	35,270	34,482	37,894	41,658
Net profit	3,487	3,277	3,753	4,332
Consensus NP	—	3,361	3,808	4,264
Diff frm cons (%)	—	(2.5)	(1.4)	1.6
Norm profit	3,533	3,277	3,753	4,332
Prev. Norm profit	—	3,306	3,791	4,444
Chg frm prev (%)	—	(0.9)	(1.0)	(2.5)
Norm EPS (Bt)	0.7	0.7	0.8	0.9
Norm EPS grw (%)	5.5	(7.4)	14.4	15.4
Norm PE (x)	22.7	24.6	21.5	18.6
EV/EBITDA (x)	18.4	18.6	16.4	14.2
P/BV (x)	3.7	3.3	3.0	2.7
Div yield (%)	1.5	1.4	1.6	1.9
ROE (%)	17.1	14.3	14.8	15.4
Net D/E (%)	54.0	43.3	39.4	32.3

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	16.10
Market Cap (US\$ m)	2,363.4
Listed Shares (m shares)	5,001.8
Free Float (%)	31.2
Avg Daily Turnover (US\$ m)	6.7
12M Price H/L (Bt)	21.89/15.00
Sector	Commerce
Major Shareholder	SCG Distribution Co.,Ltd 32.94%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report ..... P67



**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	5,497	6,281	7,210	8,107	9,087	10,157	11,152	12,224	13,168	13,939	14,583	
Free cash flow	1,373	2,565	4,344	5,534	6,502	7,555	8,504	8,263	10,398	11,901	12,455	187,302
PV of free cash flow	1,373	2,206	3,464	4,092	4,361	4,679	4,862	4,362	5,067	5,354	4,932	74,163
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	7.8											
Terminal growth (%)	2.0											
Enterprise value - add investments	120,913.6											
Net debt (2023F)	10,568.3											
Minority interest	323.7											
Equity value	110,021.6											
# of shares (m)	5,001.8											
<b>Equity value / share (Bt)</b>	<b>22.00</b>											

**Investment: (Bt m)**

Land @ Muang Thong Thani 2,000

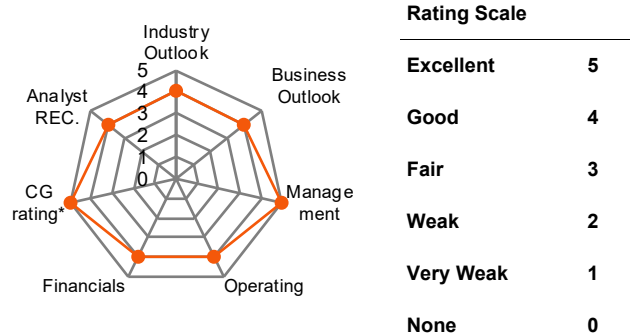
Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Siam Global House Pcl (GLOBAL) is one of the leaders among modern-trade operators in the home-improvement segment under the brand “Global House”. GLOBAL has 80 stores located upcountry in Thailand and one in Cambodia (55% stake). It has also invested abroad in the home-improvement business in Myanmar (15% indirect holding), Laos (17% indirect holding), and Indonesia (11% indirect holding).

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- GLOBAL is a pure provincial play and we expect it to benefit fully from the growing upcountry economy and urbanization.
- GLOBAL's executives have many years of experience in the home-improvement segment.
- After Siam Cement's (SCC TB, Bt324.00, BUY) investment in GLOBAL in November 2012, we believe the company is a much stronger player, both operationally and financially.

### O — Opportunity

- A change in the lifestyle of consumers to shop at modern-trade stores rather than at traditional stores.
- We see a faster and less risky growth path after SCC's stake purchase in GLOBAL.
- Expanding opportunities in the CLMV and Southeast Asian markets.

### W — Weakness

- No stores located in Bangkok.

### T — Threat

- Weak economic growth in the provinces.
- Intensifying competition from new rivals such as Thai Watsadu (Central group), HMPRO's Mega Home, and other home-improvement operators.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	19.59	22.00	12%
Net profit 23F (Bt m)	3,361	3,277	-2%
Net profit 24F (Bt m)	3,808	3,753	-1%
Consensus REC	BUY: 7	HOLD: 11	SELL: 0

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F net profit estimates are 1-2% below the Bloomberg consensus numbers, likely due to us having lower SSSG assumptions as we factor in the current steel prices.
- Our TP is higher than the street's. We think this is because we assume more store openings over the long term as it started to expand this year aggressively.

Sources: Bloomberg consensus, Thanachart estimates

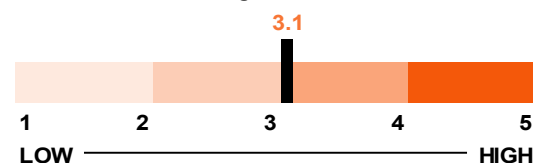
## RISKS TO OUR INVESTMENT CASE

- If the number of new stores opened is lower than our assumption, this would result in downside to our earnings forecasts, representing the key downside risk to our call.
- If competition is stronger than our current expectations, GLOBAL's SSS growth and margins would be subject to downside risk.
- Fluctuations in steel prices.

Source: Thanachart

GLOBAL is a modern-trade retailer in the home-improvement segment. It has 80 “Global House” stores located upcountry in Thailand and one 55%-owned store in Cambodia. It has investments abroad in the home-improvement business in Myanmar (15% holding), Laos (17%), and Indonesia (11%). Its business doesn’t release much greenhouse gas, but it still has long-term ESG targets. Our ESG score is 3.1.

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)
GLOBAL	YES	YES	-	-	53.38	36.79	41.00	-	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
<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>Environmental Policies &amp; Guidelines</li> <li>Energy Management</li> <li>Carbon Management</li> <li>Water Management</li> <li>Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>GLOBAL targets to reduce greenhouse gas (GHG) emissions (scope 1 and 2) by 10% from the 2022 base year by 2030.</li> <li>In 2022, it installed solar rooftops at all branches in Thailand (77 stores in 2022), which generated 79,315,763 kWh of electricity. By 2027, it aims to increase its proportion of alternative energy consumption to 60% from 54% in 2022.</li> <li>By 2027, it targets to increase water recycling volume to 300,000 cubic meters per year from 250,560 cubic meters in 2022.</li> <li>GLOBAL established its “Love The Earth” shopping project by reducing plastic bag usage as part of its garbage and waste disposal campaign.</li> </ul>
<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>Human Rights</li> <li>Staff Management</li> <li>Health &amp; Safety</li> <li>Product Safety &amp; Quality</li> <li>Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>GLOBAL does not discriminate in its recruitment regarding age, gender, nationality, disabilities, religion, social status, or sexual orientation. Its recruitment focuses on abilities and the required qualifications.</li> <li>GLOBAL strictly complies with labor laws, e.g., no forced or child labor. Regarding layoffs, the company follows regulations and laws on compensation payments and advance notice.</li> <li>GLOBAL believes it treats all employees fairly and properly in compensation and welfare without discrimination. It provides a safe and healthy workplace, enhances employees’ quality of life, and cares for their physical and mental health.</li> </ul>
<p><b>GOVERNANCE &amp; SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>Board</li> <li>Ethics &amp; Transparency</li> <li>Business Sustainability</li> <li>Risk Management</li> <li>Innovation</li> </ul>	<ul style="list-style-type: none"> <li>The board of directors (BOD) comprises ten members, four of whom are independent directors. None are women, and two directors are from the Suriyawanakul family, which is a major shareholder in the company.</li> <li>GLOBAL has a written anti-corruption policy with clear guidelines for business operations for all staff. Any type of bribery is prohibited, even in non-direct forms.</li> <li>The audit and risk management committee is responsible for reviewing the appropriateness and efficiency of risk management to ensure that internal controls and risk management are of adequate efficiency and the results reported to the BOD.</li> <li>Whistleblowing channels are provided for employees to make anonymous disclosures. Investigations are completed within seven days from the date of the complaint.</li> </ul>

Sources: Company data, Thanachart

**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	33,498	35,270	34,482	37,894	41,658
Cost of sales	25,067	26,166	25,695	28,058	30,648
<b>Gross profit</b>	<b>8,431</b>	<b>9,104</b>	<b>8,787</b>	<b>9,836</b>	<b>11,010</b>
% gross margin	25.2%	25.8%	25.5%	26.0%	26.4%
Selling & administration expenses	4,807	5,352	5,310	5,798	6,332
<b>Operating profit</b>	<b>3,624</b>	<b>3,753</b>	<b>3,477</b>	<b>4,038</b>	<b>4,678</b>
% operating margin	10.8%	10.6%	10.1%	10.7%	11.2%
Depreciation & amortization	1,264	1,246	1,405	1,536	1,679
<b>EBITDA</b>	<b>4,888</b>	<b>4,999</b>	<b>4,881</b>	<b>5,574</b>	<b>6,357</b>
% EBITDA margin	14.6%	14.2%	14.2%	14.7%	15.3%
Non-operating income	618	709	709	724	796
Non-operating expenses	0	0	0	0	0
Interest expense	(180)	(193)	(256)	(248)	(238)
<b>Pre-tax profit</b>	<b>4,062</b>	<b>4,269</b>	<b>3,929</b>	<b>4,514</b>	<b>5,236</b>
Income tax	783	836	786	903	1,047
<b>After-tax profit</b>	<b>3,278</b>	<b>3,433</b>	<b>3,143</b>	<b>3,611</b>	<b>4,188</b>
% net margin	9.8%	9.7%	9.1%	9.5%	10.1%
Shares in affiliates' Earnings	81	120	154	175	193
Minority interests	(15)	(19)	(20)	(34)	(49)
Extraordinary items	0	(46)	0	0	0
<b>NET PROFIT</b>	<b>3,344</b>	<b>3,487</b>	<b>3,277</b>	<b>3,753</b>	<b>4,332</b>
<b>Normalized profit</b>	<b>3,344</b>	<b>3,533</b>	<b>3,277</b>	<b>3,753</b>	<b>4,332</b>
EPS (Bt)	0.7	0.7	0.7	0.8	0.9
Normalized EPS (Bt)	0.7	0.7	0.7	0.8	0.9

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	18,631	17,568	17,888	19,484	20,363
Cash & cash equivalent	1,772	1,189	1,456	1,534	1,589
Account receivables	674	631	945	1,038	1,141
Inventories	16,186	15,747	15,487	16,912	17,633
Others	0	0	0	0	0
Investments & loans	1,607	2,144	2,144	2,144	2,144
Net fixed assets	17,099	17,471	18,643	19,934	21,331
Other assets	1,937	1,965	1,869	1,861	1,861
<b>Total assets</b>	<b>39,275</b>	<b>39,148</b>	<b>40,545</b>	<b>43,424</b>	<b>45,699</b>
<b>LIABILITIES:</b>					
Current liabilities:	16,011	13,629	13,637	14,005	13,465
Account payables	2,543	2,311	2,464	2,690	2,939
Bank overdraft & ST loans	12,066	9,475	9,619	9,729	8,993
Current LT debt	1,045	1,512	1,202	1,216	1,124
Others current liabilities	358	331	351	370	409
<b>Total LT debt</b>	<b>2,139</b>	<b>2,120</b>	<b>1,202</b>	<b>1,216</b>	<b>1,124</b>
Others LT liabilities	1,289	1,307	1,302	1,242	1,183
<b>Total liabilities</b>	<b>19,439</b>	<b>17,057</b>	<b>16,141</b>	<b>16,463</b>	<b>15,773</b>
Minority interest	275	304	324	357	407
Preferreds shares	0	0	0	0	0
Paid-up capital	4,602	4,802	5,002	5,002	5,002
Share premium	4,739	4,739	4,739	4,739	4,739
Warrants	0	0	0	0	0
Surplus	46	(43)	(43)	(43)	(43)
<b>Retained earnings</b>	<b>10,174</b>	<b>12,290</b>	<b>14,382</b>	<b>16,905</b>	<b>19,822</b>
Shareholders' equity	19,561	21,788	24,080	26,603	29,520
<b>Liabilities &amp; equity</b>	<b>39,275</b>	<b>39,148</b>	<b>40,545</b>	<b>43,424</b>	<b>45,699</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	4,062	4,269	3,929	4,514	5,236
Tax paid	(632)	(856)	(775)	(881)	(1,008)
Depreciation & amortization	1,264	1,246	1,405	1,536	1,679
Chg In working capital	(2,352)	249	99	(1,291)	(576)
Chg In other CA & CL / minorities	22	8	24	39	65
<b>Cash flow from operations</b>	<b>2,364</b>	<b>4,916</b>	<b>4,683</b>	<b>3,916</b>	<b>5,396</b>
Capex	(1,215)	(1,618)	(2,500)	(2,750)	(3,000)
Right of use	(12)	51	3	3	3
ST loans & investments	7	(0)	0	0	0
LT loans & investments	(769)	(537)	0	0	0
Adj for asset revaluation	51	(89)	0	0	0
Chg In other assets & liabilities	67	8	149	2	(8)
<b>Cash flow from investments</b>	<b>(1,872)</b>	<b>(2,185)</b>	<b>(2,348)</b>	<b>(2,745)</b>	<b>(3,006)</b>
Debt financing	870	(2,142)	(1,083)	137	(920)
Capital increase	200	200	200	0	0
Dividends paid	(814)	(1,173)	(1,185)	(1,230)	(1,415)
Warrants & other surplus	(200)	(199)	0	0	0
<b>Cash flow from financing</b>	<b>56</b>	<b>(3,313)</b>	<b>(2,068)</b>	<b>(1,093)</b>	<b>(2,335)</b>
<b>Free cash flow</b>	<b>1,149</b>	<b>3,298</b>	<b>2,183</b>	<b>1,166</b>	<b>2,396</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	24.0	22.7	24.6	21.5	18.6
Normalized PE - at target price (x)	32.7	31.1	33.5	29.3	25.4
PE (x)	24.0	23.0	24.6	21.5	18.6
PE - at target price (x)	32.7	31.5	33.5	29.3	25.4
EV/EBITDA (x)	19.2	18.4	18.6	16.4	14.2
EV/EBITDA - at target price (x)	25.2	24.3	24.7	21.6	18.8
P/BV (x)	4.1	3.7	3.3	3.0	2.7
P/BV - at target price (x)	5.6	5.0	4.6	4.1	3.7
P/CFO (x)	33.9	16.3	17.2	20.6	14.9
Price/sales (x)	2.4	2.3	2.3	2.1	1.9
Dividend yield (%)	1.5	1.5	1.4	1.6	1.9
FCF Yield (%)	1.4	4.1	2.7	1.4	3.0
<b>(Bt)</b>					
Normalized EPS	0.7	0.7	0.7	0.8	0.9
EPS	0.7	0.7	0.7	0.8	0.9
DPS	0.2	0.2	0.2	0.3	0.3
BV/share	3.9	4.4	4.8	5.3	5.9
CFO/share	0.5	1.0	0.9	0.8	1.1
FCF/share	0.2	0.7	0.4	0.2	0.5

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	25.0	5.3	(2.2)	9.9	9.9
Net profit (%)	70.9	4.3	(6.0)	14.5	15.4
EPS (%)	70.5	4.1	(6.2)	14.4	15.4
Normalized profit (%)	70.9	5.7	(7.2)	14.5	15.4
Normalized EPS (%)	70.5	5.5	(7.4)	14.4	15.4
Dividend payout ratio (%)	35.1	35.1	35.0	35.0	35.0
<b>Operating performance</b>					
Gross margin (%)	25.2	25.8	25.5	26.0	26.4
Operating margin (%)	10.8	10.6	10.1	10.7	11.2
EBITDA margin (%)	14.6	14.2	14.2	14.7	15.3
Net margin (%)	9.8	9.7	9.1	9.5	10.1
D/E (incl. minor) (x)	0.8	0.6	0.5	0.5	0.4
Net D/E (incl. minor) (x)	0.7	0.5	0.4	0.4	0.3
Interest coverage - EBIT (x)	20.1	19.5	13.6	16.3	19.6
Interest coverage - EBITDA (x)	27.1	25.9	19.0	22.5	26.7
ROA - using norm profit (%)	8.9	9.0	8.2	8.9	9.7
ROE - using norm profit (%)	18.3	17.1	14.3	14.8	15.4
<b>DuPont</b>					
ROE - using after tax profit (%)	17.9	16.6	13.7	14.3	14.9
- asset turnover (x)	0.9	0.9	0.9	0.9	0.9
- operating margin (%)	12.7	12.6	12.1	12.6	13.1
- leverage (x)	2.1	1.9	1.7	1.7	1.6
- interest burden (%)	95.7	95.7	93.9	94.8	95.6
- tax burden (%)	80.7	80.4	80.0	80.0	80.0
WACC (%)	7.8	7.8	7.8	7.8	7.8
ROIC (%)	9.7	9.1	8.3	9.3	10.1
NOPAT (Bt m)	2,925	3,018	2,781	3,230	3,742
invested capital (Bt m)	33,039	33,706	34,648	37,230	39,172

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)

**TP: Bt 18.50** (Unchanged)

**20 JULY 2023**

**Change in Numbers**

**Upside : 32.1%**

# Home Product Center (HMPRO TB)

## New sales strategies bear fruit



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We estimate HMPRO to post 3% y-y earnings growth in 2Q23F on 4.5% SSSG. Since new sales strategies have begun to bear fruit and aggressive store expansion this year looks on track, we stand by our BUY call with a TP of Bt18.5.

### Some growth in 2Q23F

Despite higher expenses from electricity and store expansion, we expect HMPRO to weather the cost pressure with higher sales and gross margin. We estimate 2Q23F profit of Bt1.56bn, increasing by 3% y-y, backed by 7% sales growth (4.5% SSSG for HomePro stores and negative SSSG of 1-2% for Mega Home). Despite a rising sales mix from its lower-margin Mega Home business via more store openings, we expect its gross margin to improve slightly y-y to 25.8%. As June's SSSG is likely to weaken to 2-3% as consumption slows partly because of the early rainy season, we lower our SSSG to 2.8/4/4% in 2023-25F from 5% previously for those years.

### Branch expansion on track

With its plan to speed up Mega Home openings post-COVID to reach a medium-term target of 50 branches from 18 as of last year, HMPRO launched six Mega Home stores in 1H23. This year, it plans to open eight to nine new Mega Home branches and two HomePro stores. Store expansion is a key driver after COVID, on top of positive SSSG each year in 2023-25F. By year-end, we expect it to operate 89 HomePro stores in Thailand, five HomePro S outlets, 26 Mega Home stores, and seven HomePro branches in Malaysia.

### New sales strategies doing well

HMPRO has initiated various strategies to boost sales. E-commerce channels are the area where it continues to focus via its own website, the HomePro app, and the marketplace (Shopee, Lazada). It just launched "HomePro for Business", an online platform for B2B customers. Air conditioner sales were strong in April, boosted by its new services, i.e., trade-ins, resales and same-day delivery. These services are popular for electronics products.

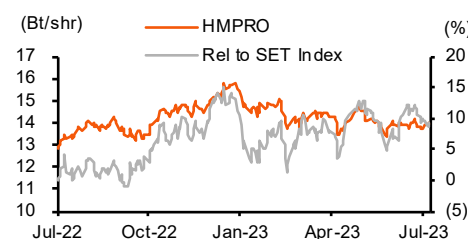
### Decent momentum continues

We expect HMPRO to deliver stronger earnings growth y-y in 2H23F, towards the high spending season in 4Q, to reach 11% EPS growth this year. Drivers are: 1) sales from new stores as ten new branches this year are scheduled for launch from 1Q23 to 4Q23, 2) a boost from new sales strategies and a recovery in spending at tourist-destination stores, and 3) easing cost pressure from solar roof installation and a lower fuel tariff. With a 3-6% cut in our 2023-25F earnings, we reaffirm our BUY call on HMPRO for decent earnings growth of a 13% three-year EPS CAGR over 2023-25F with an unchanged DCF-based 12-month TP of Bt18.5 as we roll over our base year to 2024F.

### COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	66,811	72,974	81,606	89,293
Net profit	6,217	6,903	7,931	8,981
Consensus NP	—	6,875	7,603	8,202
Diff frm cons (%)	—	0.4	4.3	9.5
Norm profit	6,217	6,903	7,931	8,981
Prev. Norm profit	—	7,112	8,333	9,588
Chg frm prev (%)	—	(2.9)	(4.8)	(6.3)
Norm EPS (Bt)	0.5	0.5	0.6	0.7
Norm EPS grw (%)	14.3	11.0	14.9	13.2
Norm PE (x)	29.6	26.7	23.2	20.5
EV/EBITDA (x)	17.3	15.3	13.7	12.3
P/BV (x)	7.6	7.3	6.8	6.3
Div yield (%)	2.7	3.0	3.4	3.9
ROE (%)	26.4	28.0	29.3	31.9
Net D/E (%)	40.8	46.5	48.5	45.7

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	14.00
Market Cap (US\$ m)	5,403.4
Listed Shares (m shares)	13,151.2
Free Float (%)	40.9
Avg Daily Turnover (US\$ m)	9.7
12M Price H/L (Bt)	15.80/12.80
Sector	Commerce
Major Shareholder	Land & Houses 30.23%

Sources: Bloomberg, Company data, Thanachart estimates

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**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	14,174	15,787	17,699	19,660	21,576	23,634	25,741	27,637	29,656	31,762	33,861	
Free cash flow	5,192	7,297	10,095	13,123	14,670	16,332	19,523	21,035	22,648	24,827	26,497	389,398
PV of free cash flow	5,192	6,258	8,018	9,653	9,771	10,030	11,055	10,982	10,899	11,016	10,325	151,738
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.8											
WACC (%)	8.0											
Terminal growth (%)	2.0											
Enterprise value - add	254,936											
Net debt	11,657											
Minority interest	0											
Equity value	243,279											
# of shares (m)	13,151											
<b>Equity value/share (Bt)</b>	<b>18.50</b>											

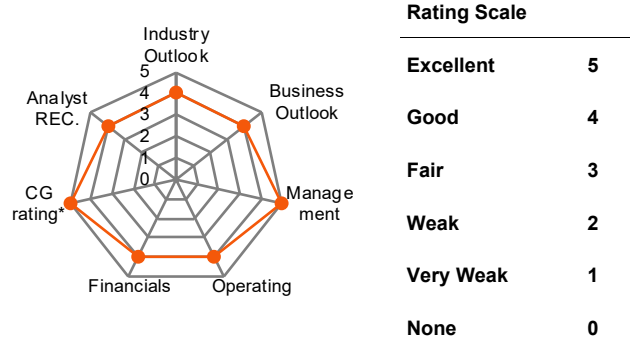
Source: Thanachart estimates

## COMPANY DESCRIPTION

Home Product Center Pcl (HMPRO) is the leader in home-improvement retailing in Thailand with 50,000 SKUs for HomePro stores and 60,000-80,000 SKUs for Mega Home, and it offers a full range of services from design to maintenance, installation, and improvement. It operated 87 HomePro stores nationwide, seven Malaysia branches, five HomePro S stores, and 24 Mega Home outlets as of 2Q23. We believe it is capturing the so-called lifestyle trend by focusing more on the home renovation and lifestyle segments.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Leader in the home-improvement business in Thailand with the largest store network.
- Prime locations are locked in.
- Strong bargaining power reflected in high rebate and other income.

### O — Opportunity

- Room to open more stores domestically along with the country's infrastructure development and EEC plan.
- New product coverage and new target groups.
- Expansion opportunities in other countries, starting with Malaysia and followed by Vietnam.

### W — Weakness

- Cash conversion cycle turned a slight positive.
- Highly capital-intensive business.

### T — Threat

- Intense competition for Mega Home as rivals are also speeding up branch openings.
- Weak Thai economy.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	17.03	18.50	9%
Net profit 23F (Bt m)	6,875	6,903	0%
Net profit 24F (Bt m)	7,603	7,931	4%
<b>Consensus REC</b>	<b>BUY: 21</b>	<b>HOLD: 5</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profit for 2024F is 4% above the street's, which we attribute to us having higher gross margin and new-store-expansion assumptions.
- Our DCF-based TP is 9% above the Bloomberg consensus number, likely because we have more aggressive long-term assumptions for gross margins and Mega Home expansion.

Sources: Bloomberg consensus, Thanachart estimates

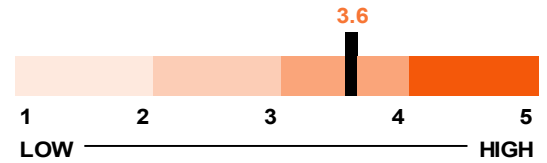
## RISKS TO OUR INVESTMENT CASE

- The key downside risk to our earnings forecasts would be if HMPRO were to fail to open new stores in line with our current expectations.
- Earnings growth could be hindered if competitors become more aggressive with store expansion than we presently expect.
- An economic slowdown and a property market downturn would represent secondary downside risks.
- If HMPRO is unsuccessful with its stores abroad, this would represent another downside risk.

Source: Thanachart

HMPRO is a leading home-improvement retailer with 87 large HomePro branches and five HomePro S in Thailand, and seven HomePro stores in Malaysia. It also has 24 rural-model home construction materials under Mega Home stores. Our ESG score is 3.62, in the top range for the sector, as HMPRO is dedicated to ESG issues with a clear roadmap.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	Thanachart ESG Rating (1.0-5.0)	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	CG Rating (0-5)
HMPRO	YES	YES	YES	3.62	AA	66.79	5.0

Sources: SETTRADE, SET, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

Factors	Our Comments
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**ENVIRONMENT**

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

- HMPRO aims to cut greenhouse gas (GHG) emissions/store by 50% by 2030, with 36% achieved in 2022. In 2022, it released GHG emissions of 0.097mt CO2e (scope 1, 2, 3).
- HMPRO targets to use 100% renewable energy in its company-owned store buildings by 2030. Solar cells have been installed since 2015, and there are 65 solar-roof installed stores to date, accounting for 25.6% renewable energy usage.
- 100% zero waste is targeted by 2030, with 84% achieved in 2022.
- HMPRO intends to stop selling single-use plastic by 2025.
- ESG Award: Dow Jones Sustainability Indices, MSCI Global Sustainability Indexes, MSCI ESG Rating Indices, FTSE4Good Index, Sustainalytics (low-risk rating), CDP Sustainability Index.

**SOCIAL**

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

- HMPRO conducts an associate satisfaction survey annually and analyzes results in order to improve in every aspect, such as welfare, occupational health, safety, and working environment. There was 86.6% employee engagement in 2022.
- In 2022, women had a 49% share of all management positions.
- It targets zero accidents with a 0.16% accident rate/store in 2022.
- Ninety-four disabled people were employed as of 2022, of 1.05% of total staff, higher than the 1% standard of the Empowerment of Persons With Disabilities Act, B.E. 2007.
- HMPRO has set a 50% target for eco-product sales by 2025, with 46.9% achieved in 2022.

**GOVERNANCE & SUSTAINABILITY**

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

- The board of directors (BOD) comprises 12 members, four of whom are independent directors. There is one woman on the board.
- The BOD stipulates a corporate governance policy to have content that covers the vital principles of shareholders' rights, the equitable treatment of shareholders, the roles of stakeholders, disclosure and transparency. This is to be in line with the new Corporate Governance Code (CG Code) from The Securities and Exchange Commission, the regulations of the Thai Institute of Directors (IOD), and the international criteria at the regional level of the ASEAN CG Scorecard.
- HMPRO has complied with good corporate governance though its chairman of the Nomination and Remuneration Committee is not an independent director.
- HMPRO allocates human resources to have the responsibility to receive business ethics complaints, which employees can send directly by post or email.

Sources: Company data, Thanachart

**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	61,791	66,811	72,974	81,606	89,293
Cost of sales	45,534	48,783	53,037	59,085	64,390
<b>Gross profit</b>	<b>16,257</b>	<b>18,029</b>	<b>19,937</b>	<b>22,521</b>	<b>24,903</b>
% gross margin	26.3%	27.0%	27.3%	27.6%	27.9%
Selling & administration expenses	11,326	12,519	13,798	15,483	16,907
<b>Operating profit</b>	<b>7,066</b>	<b>8,088</b>	<b>9,084</b>	<b>10,373</b>	<b>11,690</b>
% operating margin	11.4%	12.1%	12.4%	12.7%	13.1%
Depreciation & amortization	3,208	3,156	3,705	4,058	4,353
<b>EBITDA</b>	<b>10,274</b>	<b>11,244</b>	<b>12,790</b>	<b>14,431</b>	<b>16,043</b>
% EBITDA margin	16.6%	16.8%	17.5%	17.7%	18.0%
Non-operating income	2,142	2,595	2,946	3,335	3,694
Non-operating expenses	(23)	(0)	0	0	0
Interest expense	(416)	(445)	(562)	(581)	(603)
<b>Pre-tax profit</b>	<b>6,634</b>	<b>7,660</b>	<b>8,522</b>	<b>9,792</b>	<b>11,087</b>
Income tax	1,194	1,441	1,619	1,860	2,107
<b>After-tax profit</b>	<b>5,441</b>	<b>6,219</b>	<b>6,903</b>	<b>7,931</b>	<b>8,981</b>
% net margin	8.8%	9.3%	9.5%	9.7%	10.1%
Shares in affiliates' Earnings	0	(2)	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>5,441</b>	<b>6,217</b>	<b>6,903</b>	<b>7,931</b>	<b>8,981</b>
<b>Normalized profit</b>	<b>5,441</b>	<b>6,217</b>	<b>6,903</b>	<b>7,931</b>	<b>8,981</b>
EPS (Bt)	0.4	0.5	0.5	0.6	0.7
Normalized EPS (Bt)	0.4	0.5	0.5	0.6	0.7

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	18,920	21,430	22,558	23,971	25,716
Cash & cash equivalent	4,546	5,420	5,489	4,945	5,213
Account receivables	1,675	2,069	2,199	2,459	2,446
Inventories	12,572	13,630	14,531	16,188	17,641
Others	127	311	339	379	415
Investments & loans	0	0	0	0	0
Net fixed assets	27,584	29,469	34,018	37,217	39,620
Other assets	12,082	14,286	14,659	15,162	15,582
<b>Total assets</b>	<b>58,586</b>	<b>65,185</b>	<b>71,236</b>	<b>76,350</b>	<b>80,918</b>
<b>LIABILITIES:</b>					
Current liabilities:	20,511	24,485	26,893	29,520	31,624
Account payables	13,973	15,812	16,710	18,616	20,287
Bank overdraft & ST loans	1,232	1,074	857	903	930
Current LT debt	3,183	5,174	6,516	6,866	7,070
Others current liabilities	2,124	2,425	2,810	3,134	3,336
<b>Total LT debt</b>	<b>8,943</b>	<b>9,056</b>	<b>9,773</b>	<b>10,300</b>	<b>10,605</b>
Others LT liabilities	6,242	7,398	9,502	9,466	9,408
<b>Total liabilities</b>	<b>35,696</b>	<b>40,939</b>	<b>46,169</b>	<b>49,286</b>	<b>51,637</b>
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	13,151	13,151	13,151	13,151	13,151
Share premium	646	646	646	646	646
Warrants	0	0	0	0	0
Surplus	(29)	(25)	(25)	(25)	(25)
<b>Retained earnings</b>	<b>9,122</b>	<b>10,473</b>	<b>11,294</b>	<b>13,292</b>	<b>15,508</b>
Shareholders' equity	22,890	24,246	25,067	27,065	29,281
<b>Liabilities &amp; equity</b>	<b>58,586</b>	<b>65,185</b>	<b>71,236</b>	<b>76,350</b>	<b>80,918</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	6,634	7,660	8,522	9,792	11,087
Tax paid	(1,351)	(1,277)	(1,632)	(1,751)	(2,061)
Depreciation & amortization	3,208	3,156	3,705	4,058	4,353
Chg In working capital	(1,211)	387	(133)	(12)	231
Chg In other CA & CL / minorities	231	(176)	210	10	(49)
<b>Cash flow from operations</b>	<b>7,511</b>	<b>9,750</b>	<b>10,673</b>	<b>12,097</b>	<b>13,561</b>
Capex	(2,051)	(5,041)	(8,000)	(7,000)	(6,500)
Right of use	(547)	(1,788)	(89)	(4)	(4)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	488	869	1,724	(626)	(560)
<b>Cash flow from investments</b>	<b>(2,111)</b>	<b>(5,960)</b>	<b>(6,365)</b>	<b>(7,631)</b>	<b>(7,064)</b>
Debt financing	(22)	1,946	1,843	923	536
Capital increase	0	0	0	0	0
Dividends paid	(4,208)	(4,866)	(5,260)	(5,934)	(6,765)
Warrants & other surplus	92	4	(822)	0	0
<b>Cash flow from financing</b>	<b>(4,137)</b>	<b>(2,916)</b>	<b>(4,239)</b>	<b>(5,011)</b>	<b>(6,229)</b>
<b>Free cash flow</b>	<b>5,460</b>	<b>4,709</b>	<b>2,673</b>	<b>5,097</b>	<b>7,061</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	33.8	29.6	26.7	23.2	20.5
Normalized PE - at target price (x)	44.7	39.1	35.2	30.7	27.1
PE (x)	33.8	29.6	26.7	23.2	20.5
PE - at target price (x)	44.7	39.1	35.2	30.7	27.1
EV/EBITDA (x)	18.8	17.3	15.3	13.7	12.3
EV/EBITDA - at target price (x)	24.5	22.5	19.9	17.8	16.0
P/BV (x)	8.0	7.6	7.3	6.8	6.3
P/BV - at target price (x)	10.6	10.0	9.7	9.0	8.3
P/CFO (x)	24.5	18.9	17.3	15.2	13.6
Price/sales (x)	3.0	2.8	2.5	2.3	2.1
Dividend yield (%)	2.3	2.7	3.0	3.4	3.9
FCF Yield (%)	3.0	2.6	1.5	2.8	3.8
<b>(Bt)</b>					
Normalized EPS	0.4	0.5	0.5	0.6	0.7
EPS	0.4	0.5	0.5	0.6	0.7
DPS	0.3	0.4	0.4	0.5	0.5
BV/share	1.7	1.8	1.9	2.1	2.2
CFO/share	0.6	0.7	0.8	0.9	1.0
FCF/share	0.4	0.4	0.2	0.4	0.5

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	3.2	8.1	9.2	11.8	9.4
Net profit (%)	5.5	14.3	11.0	14.9	13.2
EPS (%)	5.5	14.3	11.0	14.9	13.2
Normalized profit (%)	5.5	14.3	11.0	14.9	13.2
Normalized EPS (%)	5.5	14.3	11.0	14.9	13.2
Dividend payout ratio (%)	77.4	80.4	80.0	80.0	80.0
<b>Operating performance</b>					
Gross margin (%)	26.3	27.0	27.3	27.6	27.9
Operating margin (%)	11.4	12.1	12.4	12.7	13.1
EBITDA margin (%)	16.6	16.8	17.5	17.7	18.0
Net margin (%)	8.8	9.3	9.5	9.7	10.1
D/E (incl. minor) (x)	0.6	0.6	0.7	0.7	0.6
Net D/E (incl. minor) (x)	0.4	0.4	0.5	0.5	0.5
Interest coverage - EBIT (x)	17.0	18.2	16.2	17.8	19.4
Interest coverage - EBITDA (x)	24.7	25.3	22.8	24.8	26.6
ROA - using norm profit (%)	9.5	10.0	10.1	10.4	11.4
ROE - using norm profit (%)	24.5	26.4	28.0	29.3	31.9
<b>DuPont</b>					
ROE - using after tax profit (%)	24.5	26.4	28.0	29.3	31.9
- asset turnover (x)	1.1	1.1	1.1	1.1	1.1
- operating margin (%)	11.4	12.1	12.4	12.7	13.1
- leverage (x)	2.6	2.6	2.8	2.8	2.8
- interest burden (%)	94.1	94.5	93.8	94.4	94.8
- tax burden (%)	82.0	81.2	81.0	81.0	81.0
WACC (%)	8.0	8.0	8.0	8.0	8.0
ROIC (%)	18.3	20.7	21.6	22.9	23.6
NOPAT (Bt m)	5,794	6,566	7,358	8,402	9,469
invested capital (Bt m)	31,702	34,129	36,725	40,189	42,673

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)**TP: Bt 15.00**

(From: Bt 14.00)

Change in Numbers

Upside : 23.0%

20 JULY 2023

# MC GROUP Pcl (MC TB)

## New growth cycle

After its recovery phase, MC is scaling up store expansion this year and introducing non-denim and non-apparel products. With earnings surpassing the pre-COVID level this year and a new growth cycle with a 23% three-year EPS CAGR, we reaffirm our BUY rating with a new Bt15 TP.

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### BUY with a higher Bt15 TP

We raise our earnings estimate for MC by 4% in FY23F as we adjust our gross margin assumption up to 64.9%, from 64.0% earlier, to be in line with the 9MFY23 level. This is better than its 64% full-year guidance on its lower price discount strategy and decent cost control. Our DCF-based 12-month TP is lifted by 7% to Bt15 (from Bt14) as the valuation base year is rolled over to 2024F. We reaffirm our BUY call on MC as we see it as an inexpensive retail stock trading at 0.45/0.71x FY23-24F PEG with a strong 23% EPS CAGR in FY23-25F and high dividend yields of 6.6/7.8% in FY23-24F.

### A new plan for Mc Outlets

A year since their launch, Mc Outlets have been successful, bringing sales/store up by 2-3x vs. the old-format mcmc shops. As of 3QFY23 (ending March 2023), there were 98 Mc Outlets, or 14% of its total 680 points of sale. The new plan is to ramp up Mc Outlet expansion to reach an initial target of 200 branches, or 10% of total PTT gas stations nationwide, which we expect by FY26F. Next is to enlarge the size of those being converted from mcmc shops (40 sqm) to 70-80 sqm, the same as the size of new Mc Outlet stores, and we leave this as a potential upside. Including stores in other modern-trade channels, MC opened 50-60 new stores in FY23F vs. the net opening of nine in FY20-22.

### Expanding into non-denim products

Despite being an apparel retailer with 45% of sales coming from jeans, MC's same-store sales (SSS) have recovered back to the pre-COVID level, backed by the conversion completion of mcmc stores to Mc Outlets in June 2022 and a series of new product launches, mostly non-denim goods. It introduced new collections of MC Biker products in September last year, MC Camping in November last year, and MC Graffiti Play in January this year. This has expanded its customer base to new target groups and to younger generations.

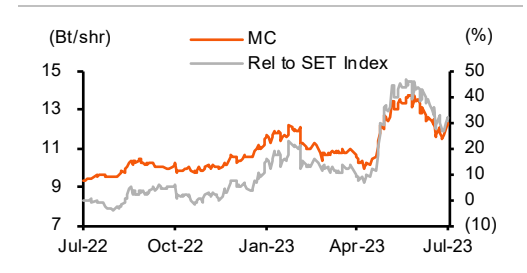
### A 23% three-year EPS CAGR

Bolstered by its swift sales recovery to the pre-COVID level, more aggressive store expansion than before starting this year (mainly the low-occupancy cost MC Outlet stores) and product diversification into non-denim and non-apparel goods with higher gross margins, we estimate MC's net profit to surpass the pre-COVID FY19 level this year to reach Bt646m with a 23% EPS CAGR in FY23-25F. With no interest-bearing debt, this supports a normal payout of nearly 100%. We expect DPS of Bt0.80/0.95/1.10 for FY23-25F or dividend yields of 6.6-9.0%.

### COMPANY VALUATION

Y/E Jun (Bt m)	2022A	2023F	2024F	2025F
Sales	2,923	3,614	4,182	4,758
Net profit	486	646	760	894
Consensus NP	—	593	696	764
Diff frm cons (%)	—	9.0	9.2	17.1
Norm profit	486	646	760	894
Prev. Norm profit	—	620	760	894
Chg frm prev (%)	—	4.2	0.0	(0.0)
Norm EPS (Bt)	0.6	0.8	1.0	1.1
Norm EPS grw (%)	9.0	33.0	17.7	17.7
Norm PE (x)	19.9	15.0	12.7	10.8
EV/EBITDA (x)	8.0	6.7	6.6	5.9
P/BV (x)	2.6	2.6	2.5	2.5
Div yield (%)	4.9	6.6	7.8	9.0
ROE (%)	13.4	17.4	20.1	23.1
Net D/E (%)	(54.3)	(51.4)	(51.0)	(49.2)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	12.20
Market Cap (US\$ m)	283.6
Listed Shares (m shares)	792.0
Free Float (%)	43.2
Avg Daily Turnover (US\$ m)	0.7
12M Price H/L (Bt)	13.70/9.30
Sector	Commerce
Major Shareholder	Miss Sunee Seripanu 43.79%

Sources: Bloomberg, Company data, Thanachart estimates



**Ex 1: 12-month DCF-based TP Calculation Using A Base Year Of FY24F**

(Bt m)	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	Terminal value
EBITDA	1,023	1,182	1,358	1,474	1,622	1,742	1,902	2,072	2,226	2,390	2,556	
Free cash flow	756	833	1,038	1,136	1,260	1,354	1,482	1,509	1,385	1,471	1,608	13,928
PV of free cash flow	756	655	723	702	675	640	619	556	451	422	388	3,364
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	12.8											
Terminal growth (%)	2.0											
Enterprise value	9,953											
Net debt (end-FY23F)	(1,934)											
Minority interest	10											
Equity value	11,878											
# of shares (m)	792											
<b>Equity value / share (Bt)</b>	<b>15.00</b>											

Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

MC GROUP PCL (MC) started its jeans business in Thailand under its own “Mc” brand in 1975. Over the years, MC has developed a wide range of products under the Mc, Mc Lady, the Blue Brothers premium jeanswear, Mc mini kidswear, and U-P activewear brands, and it distributes them primarily via free-standing shops and modern-trade outlets nationwide. It has also established an e-commerce platform, which has become a key earnings growth driver.

Source: Thanachart

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Management has lots of experience in the jeans market in Thailand.
- It has the strong “Mc” brand with its own product designs.
- Good coverage of distribution channels nationwide.
- MC’s product quality is high, with reasonable prices.
- With its large market share and in-house production, MC is very cost-competitive.

### O — Opportunity

- Eyeing fast-growing ASEAN markets.
- Penetrating lifestyle markets.
- Expansion of product lines and customer groups.
- Some small apparel manufacturers have exited the market.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	15.06	15.00	0%
Net profit 23F (Bt m)	593	646	9%
Net profit 24F (Bt m)	696	760	9%
<b>Consensus REC</b>	<b>BUY: 4</b>	<b>HOLD: 1</b>	<b>SELL: 0</b>

### HOW ARE WE DIFFERENT FROM THE STREET?

- Our FY23-24F net profits are 9% above the Bloomberg consensus estimates, which we attribute to us having higher new store and net margin assumptions, driven by the success of the Mc Outlet format.
- Our DCF-based TP is in line with the street’s.

Sources: Bloomberg consensus, Thanachart estimates

## COMPANY RATING



Source: Thanachart; \* CG Rating

### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

### W — Weakness

- MC has high stock and inventory days, but they are on a declining trend.
- High operating expenses, mainly personnel and rental costs, make up over 70% of total SG&A.

### T — Threat

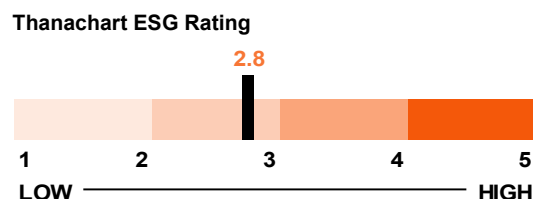
- Competition from peers in the jeans market, including Levi’s, Wrangler, Lee, and other brands.
- Competition from international brands such as H&M, UNIQLO, and ZARA is rising.

## RISKS TO OUR INVESTMENT CASE

- If growth in people’s spending were to fall below our current expectations, this would be the key downside risk to our SSS growth assumptions.
- If MC’s omnichannel and new format Mc Outlet are not as successful as planned, this would hurt the company’s earnings-growth prospects.
- Increased competition from existing and new rivals in the jeans and apparel markets would pressure MC’s sales volumes and prices.

Source: Thanachart

MC is a manufacturer and retailer of Mc Jeans and apparel products. It has one factory, 680 retail shops and points of sale in Thailand, and nine stores abroad. We assign MC an ESG score of 2.8, which is below the retail sector's average. This reflects MC's commitment to conserving the environment but a lack of concrete targets for overall ESG issues.



	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)
MC	-	-	-	-	-	-	13.00	-	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
<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>Environmental Policies &amp; Guidelines</li> <li>Energy Management</li> <li>Carbon Management</li> <li>Water Management</li> <li>Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>MC's factory does not generate much greenhouse gas (GHG) as its jeans and apparel production doesn't involve an upstream fiber production process that needs to use a lot of chemicals.</li> <li>MC says that it cares for the environment every step of the way, starting from procuring environmentally friendly raw materials, reducing and managing waste from its manufacturing, cutting energy consumption, managing waste via recycling, and reusing used materials/residues. MC has a wastewater treatment system and monitors drinking water to meet quality standards.</li> <li>MC monitors the environmental quality at its factories and workplaces, such as air quality (including total suspended particulate matter and dust particles of less than 10 microns in diameter), noise pollution, brightness, and temperature. All need to pass standard regulations in line with the law.</li> </ul>
<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>Human Rights</li> <li>Staff Management</li> <li>Health &amp; Safety</li> <li>Product Safety &amp; Quality</li> <li>Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>MC strictly conforms to laws and principles relating to human rights by setting a code of conduct to ensure that its employees work and treat one another equally and fairly with respect to personal rights and without discrimination by race, religion, gender, or social or political status.</li> <li>MC says it treats employees equally and fairly by providing fair and reasonable remuneration and benefits that match their knowledge, capability, responsibility, and individual performance. Compensation and benefits offered are greater than required by law. Provident funds, group health insurance, annual health check-ups, 5S activity, a safe working environment, and educational scholarships for employees' children are provided.</li> <li>MC says it cares about employee safety and conforms to ISO45001.</li> </ul>
<p><b>GOVERNANCE &amp; SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>Board</li> <li>Ethics &amp; Transparency</li> <li>Business Sustainability</li> <li>Risk Management</li> <li>Innovation</li> </ul>	<ul style="list-style-type: none"> <li>There are eight members of its Board of Directors (BOD), of whom five are independent directors and three are female. The BOD chairman is not the same person as the chairman of the Executive Committee.</li> <li>MC says it conducts its business with ethics, transparency, and credibility, focusing on business sustainability to maximize share value and distribute dividends regularly.</li> <li>MC says it always hopes to have good relationships with business partners, along with fair sourcing and procurement with no barriers to trade or limits to competition. Meanwhile, it claims to handle contracts, follow a code of conduct, and keep promises given to customers out of concern for mutual benefits.</li> <li>MC sells apparel to address the needs of consumers of all genders, ages, and lifestyles, including offering antibacterial and water-repellent innovations.</li> </ul>

Sources: Thanachart, Company data

**INCOME STATEMENT**

<b>FY ending Jun (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	3,220	2,923	3,614	4,182	4,758
Cost of sales	1,301	1,031	1,269	1,493	1,684
<b>Gross profit</b>	<b>1,919</b>	<b>1,892</b>	<b>2,346</b>	<b>2,689</b>	<b>3,074</b>
% gross margin	59.6%	64.7%	64.9%	64.3%	64.6%
Selling & administration expenses	1,401	1,306	1,556	1,769	1,997
<b>Operating profit</b>	<b>518</b>	<b>586</b>	<b>790</b>	<b>921</b>	<b>1,077</b>
% operating margin	16.1%	20.0%	21.9%	22.0%	22.6%
Depreciation & amortization	400	378	372	250	224
<b>EBITDA</b>	<b>918</b>	<b>964</b>	<b>1,161</b>	<b>1,170</b>	<b>1,301</b>
% EBITDA margin	28.5%	33.0%	32.1%	28.0%	27.3%
Non-operating income	29	26	37	44	52
Non-operating expenses	0	0	0	0	0
Interest expense	(28)	(20)	(19)	(15)	(11)
<b>Pre-tax profit</b>	<b>519</b>	<b>592</b>	<b>807</b>	<b>950</b>	<b>1,118</b>
Income tax	78	107	161	190	224
<b>After-tax profit</b>	<b>441</b>	<b>485</b>	<b>646</b>	<b>760</b>	<b>894</b>
% net margin	13.7%	16.6%	17.9%	18.2%	18.8%
Shares in affiliates' Earnings	5	(1)	0	0	0
Minority interests	(0)	1	0	0	0
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>446</b>	<b>486</b>	<b>646</b>	<b>760</b>	<b>894</b>
<b>Normalized profit</b>	<b>446</b>	<b>486</b>	<b>646</b>	<b>760</b>	<b>894</b>
EPS (Bt)	0.6	0.6	0.8	1.0	1.1
Normalized EPS (Bt)	0.6	0.6	0.8	1.0	1.1

**BALANCE SHEET**

<b>FY ending Jun (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	3,324	3,406	3,318	3,396	3,460
Cash & cash equivalent	1,864	1,995	1,934	1,956	1,925
Account receivables	202	203	248	286	326
Inventories	1,250	1,200	1,130	1,145	1,200
Others	7	7	7	8	9
Investments & loans	25	21	21	21	21
Net fixed assets	343	359	447	455	470
Other assets	1,522	1,276	1,084	1,021	989
<b>Total assets</b>	<b>5,214</b>	<b>5,062</b>	<b>4,871</b>	<b>4,893</b>	<b>4,940</b>
<b>LIABILITIES:</b>					
Current liabilities:	721	734	611	652	681
Account payables	283	300	278	327	369
Bank overdraft & ST loans	0	0	(0)	(0)	0
Current LT debt	0	0	(0)	(0)	0
Others current liabilities	438	434	333	325	312
<b>Total LT debt</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>
Others LT liabilities	891	653	494	408	343
<b>Total liabilities</b>	<b>1,612</b>	<b>1,387</b>	<b>1,105</b>	<b>1,060</b>	<b>1,025</b>
Minority interest	11	10	10	10	10
Preferreds shares	0	0	0	0	0
Paid-up capital	400	396	396	396	396
Share premium	2,825	2,825	2,825	2,825	2,825
Warrants	0	0	0	0	0
Surplus	(90)	25	25	25	25
<b>Retained earnings</b>	<b>456</b>	<b>419</b>	<b>511</b>	<b>578</b>	<b>660</b>
Shareholders' equity	3,591	3,665	3,756	3,823	3,905
<b>Liabilities &amp; equity</b>	<b>5,214</b>	<b>5,062</b>	<b>4,871</b>	<b>4,893</b>	<b>4,940</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Jun (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	519	592	807	950	1,118
Tax paid	(78)	(71)	(175)	(173)	(225)
Depreciation & amortization	400	378	372	250	224
Chg In working capital	221	67	4	(6)	(52)
Chg In other CA & CL / minorities	372	(19)	(91)	(25)	(12)
<b>Cash flow from operations</b>	<b>1,433</b>	<b>947</b>	<b>918</b>	<b>995</b>	<b>1,052</b>
Capex	(13)	(89)	(165)	(110)	(120)
Right of use	(1,452)	(36)	(4)	(4)	(4)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	850	(283)	(256)	(167)	(148)
<b>Cash flow from investments</b>	<b>(615)</b>	<b>(403)</b>	<b>(425)</b>	<b>(281)</b>	<b>(271)</b>
Debt financing	(0)	0	(0)	(0)	0
Capital increase	0	(4)	0	0	0
Dividends paid	(433)	(412)	(554)	(693)	(812)
Warrants & other surplus	(2)	3	0	0	0
<b>Cash flow from financing</b>	<b>(436)</b>	<b>(412)</b>	<b>(554)</b>	<b>(693)</b>	<b>(812)</b>
<b>Free cash flow</b>	<b>1,420</b>	<b>858</b>	<b>753</b>	<b>885</b>	<b>932</b>

**VALUATION**

<b>FY ending Jun</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	21.7	19.9	15.0	12.7	10.8
Normalized PE - at target price (x)	26.7	24.5	18.4	15.6	13.3
PE (x)	21.7	19.9	15.0	12.7	10.8
PE - at target price (x)	26.7	24.5	18.4	15.6	13.3
EV/EBITDA (x)	8.5	8.0	6.7	6.6	5.9
EV/EBITDA - at target price (x)	10.9	10.3	8.6	8.5	7.7
P/BV (x)	2.7	2.6	2.6	2.5	2.5
P/BV - at target price (x)	3.3	3.2	3.2	3.1	3.0
P/CFO (x)	6.7	10.2	10.5	9.7	9.2
Price/sales (x)	3.0	3.3	2.7	2.3	2.0
Dividend yield (%)	4.6	4.9	6.6	7.8	9.0
FCF Yield (%)	14.7	8.9	7.8	9.2	9.6
<b>(Bt)</b>					
Normalized EPS	0.6	0.6	0.8	1.0	1.1
EPS	0.6	0.6	0.8	1.0	1.1
DPS	0.6	0.6	0.8	0.9	1.1
BV/share	4.5	4.6	4.7	4.8	4.9
CFO/share	1.8	1.2	1.2	1.3	1.3
FCF/share	1.8	1.1	1.0	1.1	1.2

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Jun</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	1.2	(9.2)	23.7	15.7	13.8
Net profit (%)	10.0	9.0	33.0	17.7	17.7
EPS (%)	10.0	9.0	33.0	17.7	17.7
Normalized profit (%)	0.4	9.0	33.0	17.7	17.7
Normalized EPS (%)	0.4	9.0	33.0	17.7	17.7
Dividend payout ratio (%)	98.7	97.8	98.1	99.0	97.5
<b>Operating performance</b>					
Gross margin (%)	59.6	64.7	64.9	64.3	64.6
Operating margin (%)	16.1	20.0	21.9	22.0	22.6
EBITDA margin (%)	28.5	33.0	32.1	28.0	27.3
Net margin (%)	13.7	16.6	17.9	18.2	18.8
D/E (incl. minor) (x)	0.0	0.0	(0.0)	(0.0)	0.0
Net D/E (incl. minor) (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Interest coverage - EBIT (x)	18.4	28.6	41.1	62.3	98.9
Interest coverage - EBITDA (x)	32.7	47.1	60.4	79.2	119.4
ROA - using norm profit (%)	9.6	9.5	13.0	15.6	18.2
ROE - using norm profit (%)	12.4	13.4	17.4	20.1	23.1
<b>DuPont</b>					
ROE - using after tax profit (%)	12.3	13.4	17.4	20.1	23.1
- asset turnover (x)	0.7	0.6	0.7	0.9	1.0
- operating margin (%)	17.0	20.9	22.9	23.1	23.7
- leverage (x)	1.3	1.4	1.3	1.3	1.3
- interest burden (%)	94.9	96.7	97.7	98.5	99.0
- tax burden (%)	84.9	82.0	80.0	80.0	80.0
WACC (%)	12.8	12.8	12.8	12.8	12.8
ROIC (%)	20.9	27.8	37.8	40.4	46.1
NOPAT (Bt m)	440	480	632	736	862
invested capital (Bt m)	1,728	1,669	1,822	1,867	1,981

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)

TP: Bt 65.00 (Unchanged)

20 JULY 2023

Company Update

Upside : 19.3%

# Moshi Moshi Retail Corp. (MOSHI TB)

## Leader in growing industry

We see MOSHI as a hard-to-find business in Thailand offering an early expansion and growth cycle story as a market leader in a growing lifestyle product industry with a five-year EPS CAGR of 31%. Our 2024F DCF-based TP is Bt65.0/share.



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### Reaffirming BUY

We reaffirm our BUY rating on Moshi Moshi Retail Corporation Pcl (MOSHI), Thailand's biggest low-priced lifestyle product retailer, with a DCF-based 12-month TP (2024F base year) of Bt65.0. **First**, MOSHI is the market leader in the blue-ocean growing industry of lifestyle products in Thailand with very few competitors. **Second**, MOSHI was listed early in its growth cycle with strong prospects due to plenty of room for branch and product expansion. We forecast a five-year EPS CAGR of 31%. **Third**, MOSHI is already a highly profitable firm at a 20% 2022 ROE with room for margin expansion from expanding scale benefits. We believe its high PE is justified by its growth (0.77/0.68x PEG in 2024-25F) and ROE. **Lastly**, MOSHI is a net-cash company with EBITDA/capex of 4.9-6.5x in 2023-25F.

### At the inception stage of growth

Moshi's retail store business was started in 2016 by the founder, who has over 30 years of experience in the family's traditional gift shops in Sampeng district, Bangkok's main gift and premium product shop community. MOSHI became the largest low-priced lifestyle product retailer in 2019, with its market share growing to 37.6% in 2021. With only 109 stores or a 17% penetration rate of shopping malls and hypermarket stores nationwide, MOSHI is in the very early stage of an expansion cycle. MOSHI targets 165 stores by 2025 and has identified 400 potential locations for the long term, which we see as conservative. MOSHI is also exploring new store formats, i.e., standalone stores (two due to open in 2H23) and shop-in-shops in department stores (2025).

### Product expansion opportunities

MOSHI had 12 product categories of over 22,000 SKUs before it launched its 13<sup>th</sup> category of pet accessories in May this year. It plans to roll out a 14<sup>th</sup> in 3Q23. With more product SKUs, it intends to launch new store brands at its renovated Future Park Rangsit branch, which is set to become its 631-sqm flagship store with two store-in-store brands, i.e., "Garlic" shop selling perfumes, incense and diffusers (mid-July), and "Pet Town" shop (12 Aug). Products for these two brands are mostly higher-margin imported ones. Scaling back during the COVID years to a 45-48% sales mix, MOSHI targets to increase imported products back to the pre-COVID level at 60-65% of sales (54% YTD).

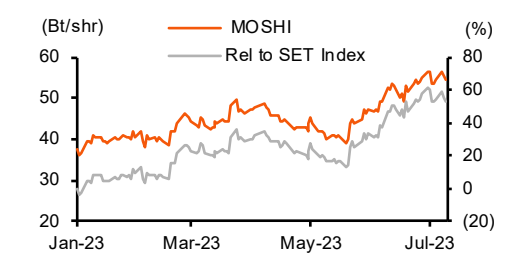
### A debt-free high-growth company

We estimate MOSHI to grow at a 31% EPS CAGR in 2023-27F. We expect it to remain a debt-free company throughout the period. We expect its annual EBITDA of Bt592m-1,049m in 2023-25F to cover its annual capex of Bt120m-162m. Most purchases are of a low basket size, and largely in cash.

### COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	1,890	2,682	3,513	4,339
Net profit	253	379	542	738
Consensus NP	—	380	515	690
Diff frm cons (%)	—	(0.4)	5.3	7.0
Norm profit	253	379	542	738
Prev. Norm profit	—	379	542	738
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	0.9	1.1	1.6	2.2
Norm EPS grw (%)	90.8	21.0	43.2	36.1
Norm PE (x)	57.5	47.5	33.2	24.4
EV/EBITDA (x)	22.4	22.3	17.2	13.3
P/BV (x)	11.2	12.8	10.2	8.0
Div yield (%)	6.0	0.8	1.2	1.6
ROE (%)	19.7	25.1	30.8	36.8
Net D/E (%)	(46.9)	(45.4)	(51.4)	(62.5)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	54.50
Market Cap (US\$ m)	527.8
Listed Shares (m shares)	330.0
Free Float (%)	25.0
Avg Daily Turnover (US\$ m)	2.5
12M Price H/L (Bt)	56.50/29.09
Sector	Commerce
Major Shareholder	Boonsongkor Family 75%

Sources: Bloomberg, Company data, Thanachart estimates

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**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	799	1,049	1,348	1,661	1,992	2,352	2,738	3,162	3,627	4,135	4,660	
Free cash flow	458	645	896	1,152	1,418	1,705	2,013	2,351	2,722	3,127	3,540	37,950
PV of free cash flow	458	528	663	772	841	910	968	1,019	1,062	1,099	1,067	11,435
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	10.5											
Terminal growth (%)	2.0											
Enterprise value - add	20,823											
Net debt	(638)											
Minority interest	0											
Equity value	21,461											
# of shares (m)	330											
<b>Equity value/share (Bt)</b>	<b>65</b>											

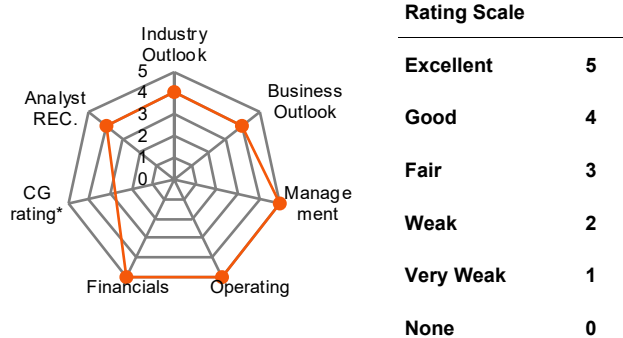
Source: Thanachart estimates

## COMPANY DESCRIPTION

Moshi Moshi Retail Corporation Pcl (MOSHI) operates a retail business that responds to the daily lifestyles of each group of consumers (lifestyle products) under the company's brand "Moshi Moshi". After opening its first store in 2016, it is now the market leader with a 37.6% sales market share in 2021. As of 1Q23, it had 109 branches in 44 provinces with over 22,000 product SKUs.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \*No CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- No.1 lifestyle product retailer since 2019.
- In-house product designs with products exclusively available at Moshi Moshi.
- Strong financials.

### O — Opportunity

- Expansion opportunities in Thailand and abroad.
- New store formats and new products.

### W — Weakness

- Most stores are on rental contracts in malls and hypermarkets, and there is a risk of contract termination or rental increases.

### T — Threat

- Competitive products from its online channel.
- Pandemics which may cause temporary store closures.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	50.80	65.00	28%
Net profit 23F (Bt m)	380	379	0%
Net profit 24F (Bt m)	515	542	5%
Consensus REC	BUY: 3	HOLD: 2	SELL: 0

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F net profit is in line with the street's, but we are 5% higher than the consensus in 2024F, likely as we factor in the OK Station acquisition, and are more aggressive with our new store assumption.
- Our TP is 28% above the Bloomberg consensus, likely as we are confident in its long-term branch and product expansions.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- If the economy is weaker than we presently expect.
- If competitors expand at a faster pace than we currently expect.

Source: Thanachart



**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	1,256	1,890	2,682	3,513	4,339
Cost of sales	578	899	1,271	1,658	2,018
<b>Gross profit</b>	<b>677</b>	<b>991</b>	<b>1,411</b>	<b>1,855</b>	<b>2,321</b>
% gross margin	53.9%	52.4%	52.6%	52.8%	53.5%
Selling & administration expenses	495	654	912	1,159	1,388
<b>Operating profit</b>	<b>183</b>	<b>337</b>	<b>499</b>	<b>696</b>	<b>932</b>
% operating margin	14.6%	17.8%	18.6%	19.8%	21.5%
Depreciation & amortization	276	279	280	299	317
<b>EBITDA</b>	<b>459</b>	<b>616</b>	<b>779</b>	<b>994</b>	<b>1,250</b>
% EBITDA margin	36.5%	32.6%	29.0%	28.3%	28.8%
Non-operating income	8	6	8	10	13
Non-operating expenses	1	6	6	6	6
Interest expense	(25)	(27)	(40)	(34)	(28)
<b>Pre-tax profit</b>	<b>167</b>	<b>322</b>	<b>474</b>	<b>678</b>	<b>923</b>
Income tax	35	69	95	136	185
<b>After-tax profit</b>	<b>131</b>	<b>253</b>	<b>379</b>	<b>542</b>	<b>738</b>
% net margin	10.5%	13.4%	14.1%	15.4%	17.0%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>131</b>	<b>253</b>	<b>379</b>	<b>542</b>	<b>738</b>
<b>Normalized profit</b>	<b>131</b>	<b>253</b>	<b>379</b>	<b>542</b>	<b>738</b>
EPS (Bt)	0.5	0.9	1.1	1.6	2.2
Normalized EPS (Bt)	0.5	0.9	1.1	1.6	2.2

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>ASSETS:</b>					
Current assets:	508	1,221	1,288	1,754	2,437
Cash & cash equivalent	238	756	638	906	1,403
Account receivables	9	9	18	24	30
Inventories	259	404	557	727	885
Others	2	52	74	97	120
Investments & loans	7	6	6	6	6
Net fixed assets	751	706	734	770	815
Other assets	727	868	781	687	585
<b>Total assets</b>	<b>1,993</b>	<b>2,801</b>	<b>2,809</b>	<b>3,217</b>	<b>3,845</b>
<b>LIABILITIES:</b>					
Current liabilities:	532	527	833	931	1,129
Account payables	166	224	348	454	553
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	366	303	485	477	576
<b>Total LT debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Others LT liabilities	507	664	572	524	472
<b>Total liabilities</b>	<b>1,039</b>	<b>1,191</b>	<b>1,405</b>	<b>1,455</b>	<b>1,601</b>
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	225	300	330	330	330
Share premium	0	1,178	1,178	1,178	1,178
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
<b>Retained earnings</b>	<b>729</b>	<b>132</b>	<b>(104)</b>	<b>254</b>	<b>736</b>
Shareholders' equity	954	1,610	1,404	1,762	2,244
<b>Liabilities &amp; equity</b>	<b>1,993</b>	<b>2,801</b>	<b>2,809</b>	<b>3,217</b>	<b>3,845</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	167	322	474	678	923
Tax paid	(29)	(53)	(81)	(117)	(169)
Depreciation & amortization	276	279	280	299	317
Chg In working capital	(1)	(87)	(38)	(69)	(65)
Chg In other CA & CL / minorities	52	(102)	146	(50)	60
<b>Cash flow from operations</b>	<b>464</b>	<b>359</b>	<b>780</b>	<b>740</b>	<b>1,067</b>
Capex	(13)	(42)	(120)	(140)	(162)
Right of use	(111)	(336)	(100)	(100)	(100)
ST loans & investments	0	0	0	0	0
LT loans & investments	(7)	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(84)	133	(93)	(48)	(52)
<b>Cash flow from investments</b>	<b>(215)</b>	<b>(245)</b>	<b>(313)</b>	<b>(288)</b>	<b>(314)</b>
Debt financing	(132)	0	0	0	0
Capital increase	0	1,253	30	0	0
Dividends paid	0	(839)	(616)	(184)	(256)
Warrants & other surplus	0	(10)	0	0	0
<b>Cash flow from financing</b>	<b>(132)</b>	<b>404</b>	<b>(586)</b>	<b>(184)</b>	<b>(256)</b>
<b>Free cash flow</b>	<b>451</b>	<b>316</b>	<b>660</b>	<b>600</b>	<b>905</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	109.6	57.5	47.5	33.2	24.4
Normalized PE - at target price (x)	130.7	68.5	56.6	39.5	29.1
PE (x)	109.6	57.5	47.5	33.2	24.4
PE - at target price (x)	130.7	68.5	56.6	39.5	29.1
EV/EBITDA (x)	30.8	22.4	22.3	17.2	13.3
EV/EBITDA - at target price (x)	36.9	26.9	26.7	20.7	16.0
P/BV (x)	15.1	11.2	12.8	10.2	8.0
P/BV - at target price (x)	18.0	13.3	15.3	12.2	9.6
P/CFO (x)	31.0	40.6	23.0	24.3	16.9
Price/sales (x)	14.3	9.5	6.7	5.1	4.1
Dividend yield (%)	0.0	6.0	0.8	1.2	1.6
FCF Yield (%)	3.1	2.2	3.7	3.3	5.0
<b>(Bt)</b>					
Normalized EPS	0.5	0.9	1.1	1.6	2.2
EPS	0.5	0.9	1.1	1.6	2.2
DPS	0.0	3.3	0.5	0.7	0.9
BV/share	3.6	4.9	4.3	5.3	6.8
CFO/share	1.8	1.3	2.4	2.2	3.2
FCF/share	1.7	1.2	2.0	1.8	2.7

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Growth Rate</b>					
Sales (%)	(7.9)	50.5	41.9	31.0	23.5
Net profit (%)	29.8	92.9	49.7	43.2	36.1
EPS (%)	29.8	90.8	21.0	43.2	36.1
Normalized profit (%)	29.8	92.9	49.7	43.2	36.1
Normalized EPS (%)	29.8	90.8	21.0	43.2	36.1
Dividend payout ratio (%)	0.0	426.4	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	53.9	52.4	52.6	52.8	53.5
Operating margin (%)	14.6	17.8	18.6	19.8	21.5
EBITDA margin (%)	36.5	32.6	29.0	28.3	28.8
Net margin (%)	10.5	13.4	14.1	15.4	17.0
D/E (incl. minor) (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (incl. minor) (x)	(0.2)	(0.5)	(0.5)	(0.5)	(0.6)
Interest coverage - EBIT (x)	7.2	12.6	12.6	20.6	32.9
Interest coverage - EBITDA (x)	18.0	23.1	19.7	29.5	44.1
ROA - using norm profit (%)	6.5	10.6	13.5	16.9	20.9
ROE - using norm profit (%)	14.8	19.7	25.1	30.8	36.8
<b>DuPont</b>					
ROE - using after tax profit (%)	14.8	19.7	25.1	30.8	36.8
- asset turnover (x)	0.6	0.8	1.0	1.1	1.2
- operating margin (%)	15.3	18.4	19.1	20.3	21.9
- leverage (x)	2.3	1.9	1.9	1.8	1.8
- interest burden (%)	86.8	92.4	92.3	95.3	97.0
- tax burden (%)	78.8	78.6	80.0	80.0	80.0
WACC (%)	10.5	10.5	10.5	10.5	10.5
ROIC (%)	17.3	37.0	46.7	72.6	87.1
NOPAT (Bt m)	144	265	399	556	746
invested capital (Bt m)	716	855	766	856	841

Sources: Company data, Thanachart estimates

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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

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80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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