

CP Axtra Pcl (CPAXT TB) - HOLD

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Earnings Preview**Strong 3Q24F core profit**

- **3Q24F core profit of Bt1,999m, +19% y-y.**
 - **Driven by strong Lotus's performance.**
 - **Wholesale core profit still falls, but at a lesser degree.**
 - **With one-time expenses, slight 3Q24F net profit growth y-y.**
- We forecast CPAXT to deliver a strong 3Q24F core profit of Bt1,999m, increasing by 19% y-y but down 8% q-q on seasonality impact. Key driver is Lotus's continuing earnings turnaround (Bt800m core profit, +86% y-y but down 35% q-q) while wholesale business (Bt1,199m core profit, -4% y-y but +28% q-q), pressured by higher omni-channel expense and interest cost, is expected to decline but at a much lesser degree.
- With the expected two one-time expenses in 3Q24F totaling Bt280m; Bt140m amalgamation expense (equally book as SG&A of wholesale and Lotus's retail businesses) and Bt140m derivatives loss (for wholesale business), 3Q24F net profit is estimated to have a slight growth y-y by 3% to Bt1,719m.
- **Retail business** We estimate 3Q24F retail's net profit of Bt730m, increasing by 70% y-y from Bt430m in 3Q23. Excluding an estimated Bt70m amalgamation expense, Lotus's core profit is expected to be Bt800m, growing by 86% y-y. Growth is coming from all lines: 3.5% sales growth (on a 3.1% same-store sales growth), blended gross margin on sales expanding by 70bp y-y to 18.1% (increasing by 20-30bp y-y for Lotus's Thailand and 290bp y-y for Lotus's Malaysia), and lower SG&A/sales on cost control and increased cost efficiency.
- **Wholesale business** We estimate 3Q24F wholesale's net profit of Bt989m, down 21% y-y. Excluding Bt70m amalgamation expense and Bt140m derivatives loss (due to strong Baht), wholesale's core profit is expected at Bt1,199m, down only 4% y-y. Despite pressuring by rising SG&A/sales from omni-channel related cost, sales growth is expected to remain strong at 6% (on a 2.5% SSSG) and widening gross margin by 35bp y-y with higher gross margin from all business units; Makro Thailand, food service and Makro International.
- Digital wallet benefited Sep SSSG for both wholesale and retail businesses, but more positive impact was seen at Lotus's business, particularly hypermarket format. The Bt10,000 cash handouts drove Sep 25th-30th SSSG of Lotus's to low teen level and momentum continues at a mid-single digit positive in the first week of October. By product categories, strong sales are electronic appliances. By region, Northeastern stores show the best growth, followed by stores in the Eastern and Central provinces (not much impact to Bangkok and stores in the South).
- Since 3Q24F net profit growth slows from extra expenses, we see 5% earnings downside for this year. We maintain our HOLD call due to its high PE vs peers.

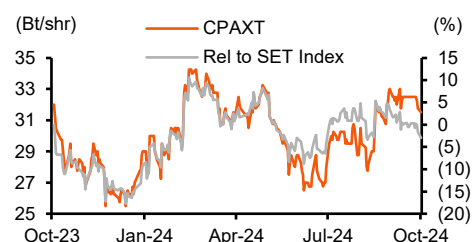
Key Valuations

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	486,472	533,090	566,800	597,836
Net profit	8,640	10,776	12,714	14,847
Norm net profit	8,640	10,776	12,714	14,847
Norm EPS (Bt)	0.8	1.0	1.2	1.4
Norm EPS gr (%)	12.3	24.7	18.0	16.8
Norm PE (x)	38.6	30.9	26.2	22.4
EV/EBITDA (x)	13.0	12.4	11.5	10.4
P/BV (x)	1.1	1.1	1.1	1.1
Div. yield (%)	1.8	2.3	2.7	3.1
ROE (%)	3.0	3.6	4.1	4.8
Net D/E (%)	22.0	25.9	26.8	25.8

Source: Thanachart estimates

Stock Data

Closing price (Bt)	31.50
Target price (Bt)	33.00
Market cap (US\$ m)	9,820
Avg daily turnover (US\$ m)	5.6
12M H/L price (Bt)	34.25/25.50

Price Performance

Source: Bloomberg

Ex 1: 3Q24F Earnings Preview

Quarterly performance	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24F
Wholesale							
SSSG (%)	10.9	6.0	3.2	1.7	3.4	1.8	2.5
Sales growth (%)	13.0	7.4	5.3	3.7	5.9	5.3	6.0
GP - Sales (%)	11.0	10.0	10.8	10.3	11.3	10.9	11.2
SG&A/sales (%)	9.3	9.5	9.8	9.2	10.2	10.4	10.4
Wholesale's net profit (Bt m)	1,897	1,089	1,247	1,742	1,568	939	989
Change (y-y%)	8.9	(19.7)	(20.7)	(27.5)	(17.3)	(13.8)	(20.7)
Retail							
SSSG (%)	0.5	(2.9)	2.2	5.5	7.1	3.5	3.1
- TH	0.8	(0.9)	2.5	5.8	6.9	3.6	3.0
- Malaysia	(0.9)	(12.2)	0.6	3.6	8.4	3.1	3.5
Sales growth (%)	0.8	(3.3)	1.0	5.0	6.7	3.9	3.5
GP - Sales (%)	17.9	17.7	17.4	18.6	17.6	18.1	18.1
SG&A/sales (%)	20.3	19.6	19.9	18.6	18.6	18.3	19.5
Retail's net profit (Bt m)	269	427	430	1,540	913	1,237	730
Change (y-y%)	(13.1)	96.7	1,382.5	2,164.0	239.8	189.8	69.8
CPAXT's net profit (Bt m)	2,166	1,516	1,677	3,282	2,481	2,176	1,719
Change (y-y%)	5.6	(3.6)	4.7	32.8	14.6	43.5	2.5
- Amalgamation expense (net of tax)							(140)
- Derivatives loss							(140)
- Other extra items		(185)					
CPAXT's core profit (Bt m)	2,166	1,701	1,677	3,282	2,481	2,176	1,999
Change (y-y%)	5.6	8.1	4.7	32.8	14.6	27.9	19.2

Sources: Company data, Thanachart estimates

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