

CP Aextra Pcl (CPAXT TB) - HOLD, Price Bt33.25, TP Bt33.00**Results Comment**

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A strong beat in 3Q24

- CPAXT reported a strong 3Q24 core profit of Bt2,410m, soared by 44% y-y and 11% q-q, beat our Bt1,999m estimates by 20% mainly on gross margin.
- Key earnings driver was Lotus's strong turnaround (Bt1,109m core profit, up 158% y-y but down 10% q-q). Wholesale business had Bt1,301m core profit, grew by 4% y-y and 39% q-q. Despite higher omni-channel expense and interest cost, wholesale business resumed recurring profit growth.
- With the two one-time expenses in 3Q24 totaling Bt458m; an estimated Bt188m amalgamation expense (equally booked as SG&A of wholesale and Lotus's retail businesses) and Bt270m FX loss (for wholesale business), 3Q24 net profit was Bt1,952m, a 16% growth y-y but down 10% q-q.
- Though 3Q24 core profit beats, higher-than-expected extra losses caused us to maintain 2024F forecast. We will review

LT earnings as core operations were stronger than expected.

- Retail business:** Retail's net profit of Bt1,015m vs Bt430m in 3Q23. Excluding Bt94m amalgamation expense, Lotus's core profit was Bt1,109m, grew by 158% y-y. Growth was from: 3.5% sales growth (a 2.3% SSSG), gross margin on sales expanded by 69bp y-y to 18.1% (+ 40bp y-y for Lotus's Thailand and nearly 200bp y-y for Lotus's Malaysia) driven by strong fresh foods sales and high-margin products, and lower SG&A/sales on cost control and increased cost efficiency.
- Wholesale business:** Wholesale's net profit of Bt937m, down 25% y-y. Excluding Bt94m amalgamation expense and Bt270m FX loss (due to strong Baht), wholesale's core profit was Bt1,301m, up 4% y-y. Sales grew by 5% y-y (on a 1.5% SSSG). Gross margin rose 70bp y-y to 11.5%. Omni-channel sales mix expanded impressively to 23.6% vs 17.1% in 3Q23.

| Income Statement | | | | | | Income Statement | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|--------------------------|-------------|-----------|-----------|---------------|---------------|
| (consolidated) | | | | | | 9M as | | | | | |
| Yr-end Dec (Bt m) | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | (Bt m) | q-q% | y-y% | % 2024F | 2024F | 2025F |
| Revenue | 118,837 | 127,637 | 126,157 | 126,223 | 123,727 | Revenue | (2) | 4 | 71 | 533,090 | 566,800 |
| Gross profit | 18,930 | 20,793 | 20,454 | 20,316 | 20,371 | Gross profit | 0 | 8 | 71 | 86,125 | 92,306 |
| SG&A | 16,263 | 16,292 | 16,838 | 16,919 | 17,397 | SG&A | 3 | 7 | 72 | 70,908 | 75,348 |
| Operating profit | 3,332 | 5,477 | 4,479 | 4,130 | 3,688 | Operating profit | (11) | 11 | 65 | 18,832 | 20,774 |
| EBITDA | 6,811 | 9,065 | 8,003 | 7,373 | 8,596 | EBITDA | 17 | 26 | 72 | 33,177 | 36,247 |
| Other income | 665 | 976 | 863 | 733 | 714 | Other income | (3) | 7 | 64 | 3,615 | 3,816 |
| Other expense | 0 | 0 | 0 | 0 | 0 | Other expense | | | | | |
| Interest expense | 1,403 | 1,451 | 1,414 | 1,449 | 1,434 | Interest expense | (1) | 2 | 75 | 5,746 | 5,205 |
| Profit before tax | 1,929 | 4,025 | 3,065 | 2,681 | 2,255 | Profit before tax | (16) | 17 | 61 | 13,085 | 15,569 |
| Income tax | 448 | 912 | 765 | 663 | 480 | Income tax | (28) | 7 | 62 | 3,101 | 3,665 |
| Equity & invest. income | 185 | 168 | 174 | 149 | 173 | Equity & invest. income | 16 | (6) | 65 | 761 | 776 |
| Minority interests | 11 | 1 | 7 | 9 | 4 | Minority interests | (55) | (62) | 69 | 30 | 33 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 | Extraordinary items | | | | | |
| Net profit | 1,677 | 3,282 | 2,481 | 2,176 | 1,952 | Net profit | (10) | 16 | 61 | 10,776 | 12,714 |
| Normalized profit | 1,677 | 3,282 | 2,481 | 2,176 | 1,952 | Normalized profit | (10) | 16 | 61 | 10,776 | 12,714 |
| EPS (Bt) | 0.16 | 0.31 | 0.23 | 0.21 | 0.18 | EPS (Bt) | (10) | 16 | 61 | 1.02 | 1.20 |
| Normalized EPS (Bt) | 0.16 | 0.31 | 0.23 | 0.21 | 0.18 | Normalized EPS (Bt) | (10) | 16 | 61 | 1.02 | 1.20 |
| Balance Sheet | | | | | | Financial Ratios | | | | | |
| (consolidated) | | | | | | 9M as | | | | | |
| Yr-end Dec (Bt m) | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | (%) | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 |
| Cash & ST investment | 19,451 | 31,721 | 23,674 | 23,098 | 19,834 | Sales growth | 3.4 | 4.3 | 5.9 | 4.4 | 4.1 |
| A/C receivable | 1,948 | 2,304 | 3,370 | 2,168 | 2,202 | Operating profit growth | 4.1 | 3.3 | (0.5) | 21.5 | 10.7 |
| Inventory | 34,088 | 35,884 | 37,445 | 34,690 | 35,917 | EBITDA growth | 2.5 | 2.4 | 0.8 | 7.4 | 26.2 |
| Other current assets | 7,671 | 6,830 | 7,085 | 6,281 | 6,237 | Norm profit growth | 4.7 | 32.8 | 14.6 | 43.5 | 16.4 |
| Investment | 0 | 0 | 0 | 0 | 0 | Norm EPS growth | 4.7 | 32.8 | 14.6 | 43.5 | 16.4 |
| Fixed assets | 114,477 | 115,574 | 115,937 | 116,401 | 116,235 | Gross margin | 15.9 | 16.3 | 16.2 | 16.1 | 16.5 |
| Other assets | 347,773 | 348,059 | 350,148 | 351,274 | 351,383 | Operating margin | 2.8 | 4.3 | 3.6 | 3.3 | 3.0 |
| Total assets | 525,410 | 540,371 | 537,660 | 533,912 | 531,808 | EBITDA margin | 5.7 | 7.1 | 6.3 | 5.8 | 6.9 |
| S-T debt | 15,282 | 26,005 | 38,066 | 36,365 | 32,360 | Norm net margin | 1.4 | 2.6 | 2.0 | 1.7 | 1.6 |
| A/C payable | 48,279 | 60,193 | 55,772 | 48,391 | 49,922 | D/E (x) | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 |
| Other current liabilities | 28,727 | 31,951 | 32,813 | 27,903 | 29,606 | Net D/E (x) | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 |
| L-T debt | 83,182 | 70,180 | 59,272 | 67,828 | 67,395 | Interest coverage (x) | 4.9 | 6.2 | 5.7 | 5.1 | 6.0 |
| Other liabilities | 59,094 | 58,569 | 59,358 | 58,647 | 58,236 | Interest rate | 5.7 | 6.0 | 5.8 | 5.8 | 5.6 |
| Minority interest | 586 | 555 | 577 | 568 | 506 | Effective tax rate | 23.2 | 22.7 | 24.9 | 24.7 | 21.3 |
| Shareholders' equity | 290,260 | 292,918 | 291,801 | 294,208 | 293,783 | ROA | 2.3 | 3.6 | 2.9 | 2.7 | 2.5 |
| Working capital | (12,242) | (22,006) | (14,957) | (11,533) | (11,803) | ROE | 2.3 | 4.5 | 3.4 | 3.0 | 2.7 |
| Total debt | 98,464 | 96,185 | 97,339 | 104,193 | 99,755 | | | | | | |
| Net debt | 79,012 | 64,464 | 73,665 | 81,095 | 79,921 | | | | | | |

Sources: Company data, Thanachart estimates

| Quarterly performance | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Wholesale | | | | | | | |
| SSSG (%) | 10.9 | 6.0 | 3.2 | 1.7 | 3.4 | 1.8 | 1.5 |
| Sales growth (%) | 13.0 | 7.4 | 5.3 | 3.7 | 5.9 | 5.3 | 5.2 |
| GP - Sales (%) | 11.0 | 10.0 | 10.8 | 10.0 | 11.3 | 10.9 | 11.5 |
| SG&A/sales (%) | 9.3 | 9.5 | 10.1 | 8.9 | 10.2 | 10.4 | 11.0 |
| Wholesale's net profit (Bt m) | 1,897 | 1,089 | 1,247 | 1,742 | 1,568 | 939 | 937 |
| Change (y-y%) | 9 | (20) | (21) | (28) | (17) | (14) | (25) |
| Retail | | | | | | | |
| SSSG (%) | 0.5 | (2.9) | 2.2 | 5.5 | 7.1 | 3.5 | 2.3 |
| - TH | 0.8 | (0.9) | 2.5 | 5.8 | 6.9 | 3.6 | 2.4 |
| - Malaysia | (0.9) | (12.2) | 0.6 | 3.6 | 8.4 | 3.1 | 1.7 |
| Sales growth (%) | 0.8 | (3.3) | 1.0 | 5.0 | 6.7 | 3.9 | 3.5 |
| GP - Sales (%) | 17.9 | 17.7 | 17.4 | 17.8 | 17.6 | 18.1 | 18.1 |
| SG&A/sales (%) | 20.3 | 19.6 | 19.6 | 19.0 | 18.6 | 18.3 | 19.3 |
| Retail's net profit (Bt m) | 269 | 427 | 430 | 1,540 | 913 | 1,237 | 1,015 |
| CPAXT's net profit (Bt m) | 2,166 | 1,516 | 1,677 | 3,282 | 2,481 | 2,176 | 1,952 |
| Change (y-y%) | 6 | (4) | 5 | 33 | 15 | 44 | 16 |
| - Amalgamation expense (net of tax) | | | | | | | (188) |
| - FX loss | | | | | | | (270) |
| - Other extra items | | (185) | | | | | |
| CPAXT's core profit (Bt m) | 2,166 | 1,701 | 1,677 | 3,282 | 2,481 | 2,176 | 2,410 |
| Change (y-y%) | 6 | 8 | 5 | 33 | 15 | 28 | 44 |
| Wholesale's core profit (Bt m) | | | | | | | 1,301 |
| Retail's core profit (Bt m) | | | | | | | 1,109 |

Sources: Company data, Thanachart

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