

Thailand Retail Sector

A new expansion model

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)	2024F (%)	2025F (%)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)	2025F (%)
Berli Jucker	BJC TB	SELL	24.70	22.00	117	8.0	7.0	19.4	18.1	0.8	0.8	3.6	3.9
COM7 Pcl	COM7 TB	BUY	19.30	26.00	55	1.8	22.5	15.3	12.5	5.0	4.2	3.8	4.7
CP All Pcl	CPALL TB	BUY	54.50	70.00	579	24.1	17.5	22.4	19.1	4.0	3.6	2.2	2.6
CP Axtra Pcl	CPAXT TB	HOLD	31.00	33.00	388	24.7	18.0	30.4	25.8	1.1	1.1	2.3	2.7
Central Pattana	CPN TB	BUY	63.25	87.00	336	8.0	10.3	18.9	17.1	2.8	2.6	2.9	3.1
Central Retail Corp.	CRC TB	BUY	35.25	45.00	252	12.2	11.9	23.2	20.7	2.9	2.7	1.8	1.9
Dohome Pcl	DOHOME TB	BUY	11.00	14.50	40	47.8	41.0	45.2	32.1	2.7	2.5	0.1	0.1
Siam Global House	GLOBAL TB	BUY	16.70	19.00	99	11.2	16.0	29.1	25.1	3.4	3.1	1.2	1.4
Home Product Cen.	HMPRO TB	BUY	10.60	15.00	165	10.9	10.0	19.5	17.7	5.3	4.9	4.1	4.5
MC Group Pcl	MC TB	BUY	12.90	15.00	12	13.5	18.4	14.0	11.8	2.7	2.6	6.9	8.3
Moshi Moshi Retail	MOSHI TB	BUY	55.25	70.00	22	31.9	39.4	34.4	24.7	8.0	6.7	1.4	2.0

Source: Thanachart estimates, Note: MC's fiscal year ends in June. Based on 1 April 2024 closing prices

We OVERWEIGHT the Thai retail sector as we see a new expansion model boosting both the top line and margins for strong EPS growth of 18% p.a. in 2024-26F, based on our numbers. Our top picks in the sector are CPALL and DOHOME.

Solid fundamentals and better valuation matrix

We OVERWEIGHT the Thai retail sector. *First*, we estimate this big-cap sector's EPS growth at 18% p.a. in 2024-26F. *Second*, core drivers are all working, i.e., store expansion, same-store sales (SSS) growth, and rising margins from a higher mix of private-label sales, falling electricity costs, and improving efficiency. *Third*, the government's stimulus policies are likely after the FY24 budget approval. *Lastly*, its valuation matrix is attractive in our view at 25/20x PE against 18/19% EPS growth in 2024-25F vs. an average 34x PE against 17% p.a. growth in 2015-19.

A new expansion model

As a developing country, Thailand still has plenty of room for store openings. The sector's store expansion stood at 10% last year after 7-8% p.a. during the COVID years. We also see a trend towards hybrid store models for cost efficiency and more traffic flow. Examples are the hybrid stores of CPAXT (Makro wholesale with Lotus's mall), HMPRO (HomePro's home decorative store with Mega Home's building materials store), CRC (GO Wholesale with Thai Watsadu, OfficeMate or PowerBuy), CPN (mixed-use projects). CPALL is opening bigger, standalone formats, and MOSHI is trying standalone stores.

Core drivers in the works

1) We expect SSS to grow by 2.0/2.8/2.7% in 2024-26F due to the improving local economy, recovering tourists, and upcoming stimuli. 2) We forecast 15-35bp gross margin expansion on scale benefits and a higher house-brand sales mix. 3) Store expansions look set to continue at 7-9% in more format varieties and toward hybrid models.

Our top picks are CPALL and DOHOME

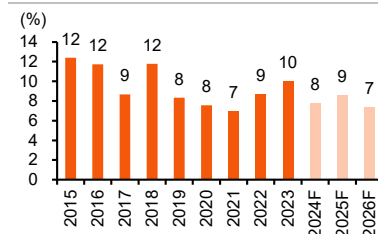
CPALL is a big-cap stock with a strong 21% three-year EPS CAGR, and it can also be seen as a falling interest rate theme play. DOHOME is a small-cap play on its strong earnings turnaround story and a play on the government's sped-up spending. With its 85:15 ratio of floating vs. fixed IBD and high interest burden/earnings base, we expect DOHOME to benefit the most from the falling interest rate trend.



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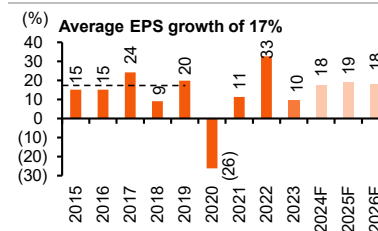
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Store Expansion Growth



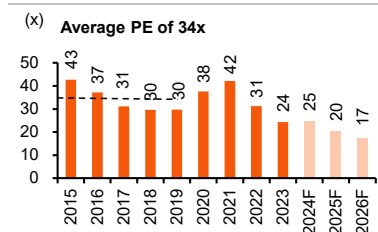
Sources: Company data; Thanachart estimates

Retail Sector's Core EPS Growth



Sources: Company data; Thanachart estimates

Sector's PE



Sources: Bloomberg; Thanachart estimates

Fundamentals look solid; OVERWEIGHT

Back on pre-COVID track with growth continuing

We reaffirm our OVERWEIGHT stance on the Thai retail sector. The sector, in our view, has very strong fundamentals both from business and financial perspectives. In 2023, the 11 retailers under our coverage reported Bt68bn in normalized profit, which surpassed 2019's level by 3%, despite tourist arrivals recovering to only 71% of 2019's level. Below are the reasons for our OVERWEIGHT rating.

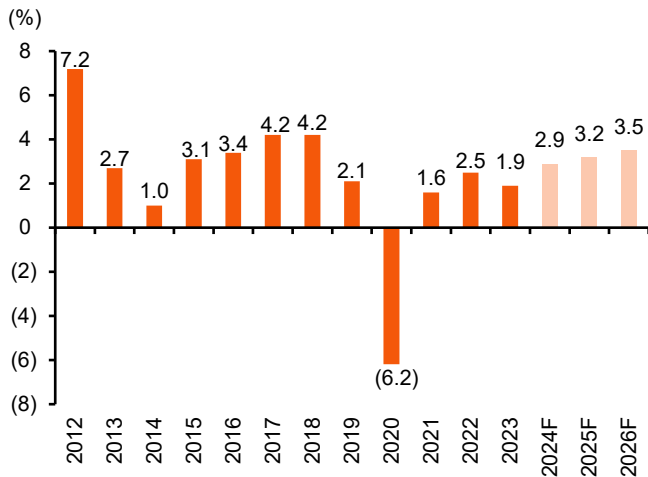
First, room for growth with an 18% three-year EPS CAGR

Growth outlook of an 18% three-year EPS CAGR

Most stocks under our coverage are big retail chain stores with leading positions in their segments. Chain stores have scale and efficiencies that make them grow above the organic level via economic growth, urbanization, and eating up the share of traditional stores. As market leaders, they have high flexibility in adapting to new market and demand trends with a high tolerance for tough economic periods. As a developing country, Thailand's modern trade sector is still far from saturation point. According to Euromonitor, the B2C modern trade grocery retailing market share stands at about 47% of the total (the hypermarket segment is near saturation, in our view, since there has been no market growth for many years, but the small-format, CVS, and supermarket segments have grown strongly), with the organized B2B wholesale market penetration at 66%. We estimate home improvement at 60-70% modern trade penetration for Bangkok and 30-40% for provincial areas. Sales growth of the 11 companies under our coverage has averaged 11% p.a. over the past seven years, and we forecast growth of 10% p.a. over the next three years.

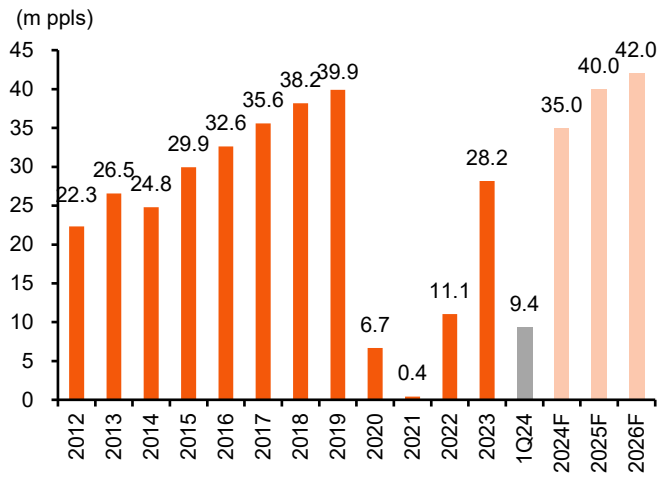
From sales growth down to the bottom line are scale benefits, efficiency improvements, and an improving product mix. We estimate the sector's normalized EPS growth at 18/19/18% in 2024-26F.

Ex 1: Thailand's GDP Growth

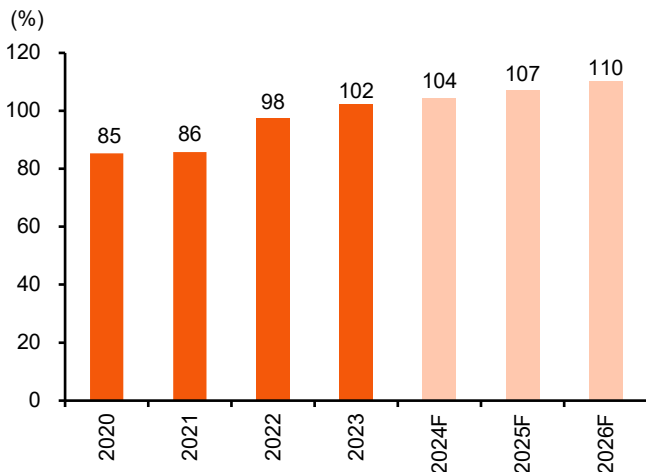


Sources: BoT, Thanachart estimates

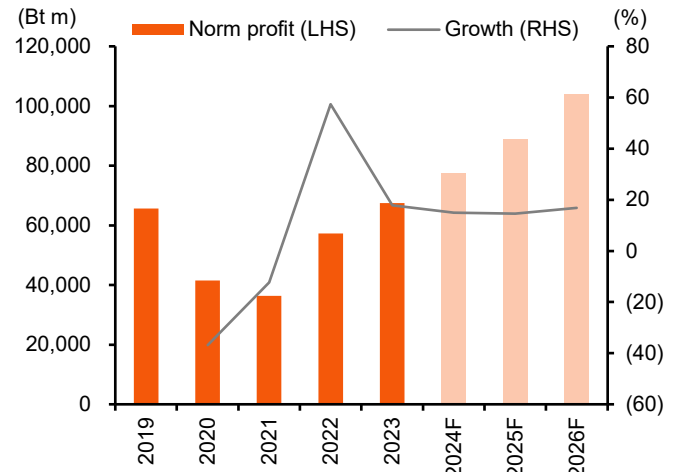
Ex 2: Tourist Arrivals



Sources: Tourism Authority of Thailand, Thanachart estimates

Ex 3: SSSG Vs. Pre-COVID

Sources: Company data, Thanachart estimates

Ex 4: Retail Sector's Core Profit

Sources: Company data, Thanachart estimates

Second, all core drivers are working

Same-store sales to grow along with GDP

We believe all the core drivers of the sector are working, i.e., same-store sales growth (SSSG), store expansion, and margin expansion. For SSSG, after same-store sales last year achieved 102% of the 2019 level, we estimate it to grow organically by 2.0/2.8/2.7%, backed by GDP growth of 2.9/3.2/3.5% in 2024-26F. As the key drivers of GDP growth are more the tourism recovery and, later on, a resumption of government stimulus measures, overall consumption should benefit.

Store expansion continues strongly at 7-9% p.a.

For store expansion, we expect it to continue growing at a high single-digit rate of 8/9/7% in 2024-26F. The rate of growth isn't slowing down much from the past due to the continued rising share of modern trade over traditional trade and more store format varieties to capture more demand and geographical segments.

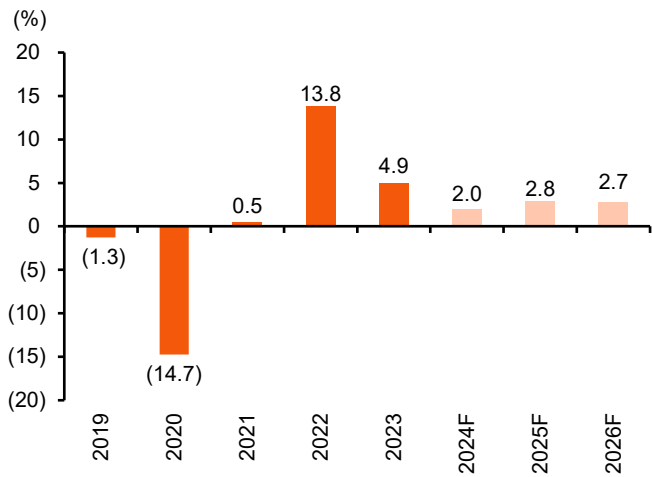
Gross margin expansion of 15/32/35bp in 2024-26F

For gross margin expansion, we estimate the sector average at 31.2/31.5/31.8% in 2024-26F, up from 31.0% in 2023 and 29.8% in pre-COVID 2019. Note that the margin contracted to a low of 28.6% in 2020 during the COVID pandemic, but it has recovered to normal. Key drivers are scale benefits and changes in product mix, including rising private-label sales proportion. See Exhibit 9 for companies' gross margin strategies.

Falling SG&A ratio

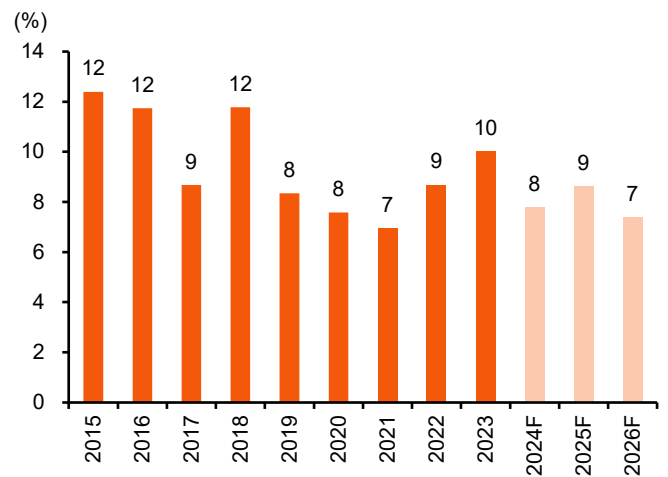
We also expect the sector's SG&A-to-sales ratio to fall to 20.9/20.5/20.1% in 2024-26F. The ratio increased from 20.4% in 2019 to 21.1-21.7% in 2020-23 due to weak sales during the COVID years, extra expenses, high electricity costs after energy prices spiked due to the Russia-Ukraine conflict, and new investments in creating and improving online channels. Looking ahead, we expect the SG&A ratio to come down due to a falling electricity tariff, better cost efficiency from new hybrid store models that will lower capex and operating expenses per store, and further scale benefits from growing sales.

Ex 5: Same-store Sales Growth



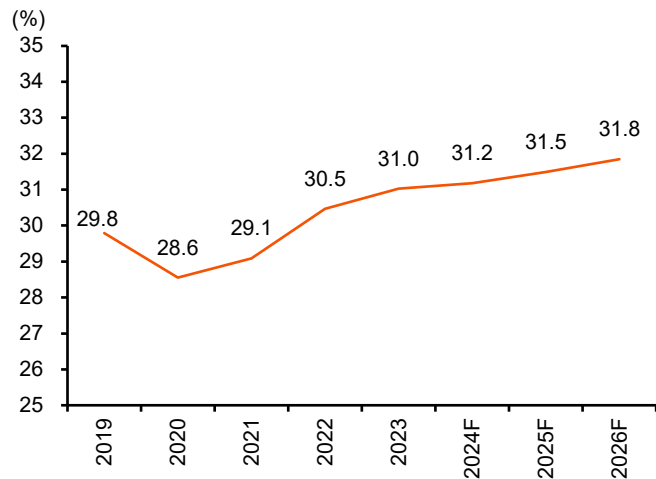
Sources: Company data, Thanachart estimates

Ex 6: Store Expansion Growth



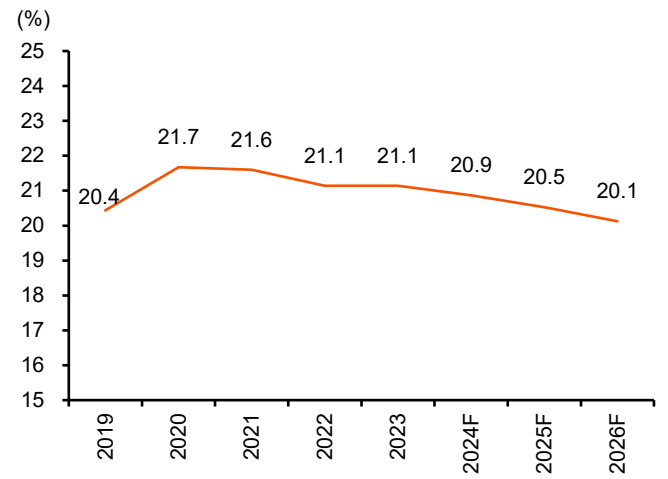
Sources: Company data, Thanachart estimates

Ex 7: Expanding Gross Margin



Sources: Company data, Thanachart estimates

Ex 8: Falling SG&A/Sales



Sources: Company data, Thanachart estimates

Ex 9: Gross Margin Strategy

	Segment	Strategy	Private brands	
			Current	Target
BJC	Big C Hypermarket, supermarket, small-format store	Lower low-profitable B2B sales, increase private brands	12.6%	25.0%
COM7	IT products, computers, mobiles	Increase 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 and household goods	7.0%	na
CPAXT	Cash & carry (Makro wholesale)	Grow fresh food sales, increase private labels from a current 16%	14.2%	20.0%
	Retail (Lotus's hypermarket)	Grow fresh food sales, increase private labels from a current 12%		
CPN	Shopping malls	Rental rate adjustments, economies of scale, cost control	-	-
CRC	Multi-retail stores of food, hardline and fashion	Increase private brands from a current 5% for fashion, 14% food, 19% Thai Watsadu (to 25%)	11%	13-15%
DOHOME	Home improvement & building materials	Expand private brands to a medium-term target of 25%	19.7%	25.0%
GLOBAL	Home improvement & building materials	Expand private brands to 30%	24.0%	30.0%
HMPRO	Home improvement & furnishing	Expand private brands to 25%	20.9%	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 57% of sales last year to 65%	100.0%	100.0%

Sources: Company data, Thanachart estimates

Third, a resumption of government stimulus policies***Dried-up stimulus policies***

The government's stimulus policies have dried up from last year, which was a long election and new government formation year, until so far this year. There was only a Bt40,000-50,000 per person personal income tax allowance spending scheme (called "Shop Dee Mee Kuen" in 2023 and "Easy E-Receipt" in 2024) from 1 January to 15 February 2023 and 2024. We believe the weak performance of retail stocks has also been due in part to the lack of catalysts from the government's dried-up stimulus measures.

Sector has its own drivers but stimulus will be a plus and a catalyst

We believe the retail sector has its own drivers and does not have to rely too much on the government's policies for it to grow. However, we think the stimulus policies can be a plus and be good catalysts for the sector.

Digital wallet policy has kept being delayed

The Pheu Thai Party, the leading party in this government, made an election promise of a big-bang stimulus policy called the digital wallet policy, which is a Bt10,000 digital/online cash handout to Thais aged 16 and above with a budget of Bt500bn-550bn. Due to the large spending amount, the government has had to keep delaying the policy as it cannot use the current year's budget to finance it. The government earlier planned to get parliamentary approval for a special loan to finance the program, but it has faced strong resistance from various organizations. The latest update is that the government estimates implementation in 4Q24 but it is still without a clear plan for how to finance it. We do not factor the digital wallet policy into our model, leaving it as an upside at this stage.

But the government will still speed up spending anyway

Our view is the government's spending, without the digital wallet policy, will be sped up anyway this month after the FY24 budget passed both the lower and upper Houses. Given that the government has only five to six months before the 2024 fiscal year ends in September, it needs to speed up its delayed budget spending. We expect the government to come up with some stimulus policies in 2Q-3Q24F.

Wage hikes can help but not much in our view

Wage hikes can help a little, but not much, in our view. Early this year, the minimum daily wage was increased by only 1-5% to Bt330-370. The government pressured for a further increase and the tripartite wage committee approved another hike to be effective on 13

April. However, the minimum wage hike in April is on a selective basis. The increment is 8-16% to Bt400 a day for tourism-related businesses in ten tourist provinces. The increase is also by district in high-income provinces. It is complicated, and companies are still confused about how to implement it correctly.

Based on our house view, we assume two policy rate cuts to 2.00% from 2.50% at present. We expect the first cut in June. Lower interest rates would benefit corporates due to lower borrowing costs while supporting economic growth as consumers would have the capacity to spend more.

Ex 10: Government Policies

Stimulus	Details	Effective
Wage hike	- Minimum wage increase by Bt2-16, or 0.6-4.5%, to Bt330-370 a day depending on province	Jan 1st, 2024
Easy E-Receipt	- Personal income tax deduction of up to Bt50,000 on purchases of goods and services	Jan 1st - Feb 15th, 2024
Selective wage hike	- Minimum wage increase for ten tourist provinces of Bt30-55, 8.1-15.9%, to Bt400 a day - Applies to tourism-related businesses and four-star hotels with at least 50 employees - Bangkok, Chiang Mai, Phuket, Krabi, Songkhla, Surat Thani, Phangnga, Chonburi, Prachuap Khiri Khan, Rayong	Apr 13th, 2024
Potential policies		
Government spending	- Government infrastructure projects and investments	from 2Q24F
Digital Wallet	- Bt10,000 handout (total Bt500bn) for 50m people aged 16 and above	4Q24F
Policy rate cuts	- Two rounds of cuts from a current 2.5% to 2.0%	2H24F

Sources: Company data, Thanachart estimates

Ex 11: Quarterly SSSG

(%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24F	2Q24F	3Q24F	4Q24F
BIGC (exc B2B)	2.8	4.4	(0.5)	6.1	5.8	4.8	2.1	(0.5)	2.0	2.0	2.0	2.0
CPALL	13.0	14.2	22.1	15.0	8.0	7.0	3.5	3.6	3.6	2.4	3.0	3.0
CPN	15.0	40.0	102.0	31.3	14.6	13.4	8.5	3.8	2.0	2.0	2.0	2.0
CRC	11.0	24.0	43.0	9.0	13.0	4.0	0.0	(2.0)	2.0	3.0	3.0	3.5
DOHOME	26.2	12.6	6.6	(16.6)	(9.0)	(9.9)	(7.1)	(9.5)	(10.0)	(8.0)	(5.0)	10.0
GLOBAL	7.4	1.5	4.3	(2.2)	(8.7)	(9.5)	(12.3)	(12.3)	(5.0)	(3.0)	2.0	6.0
HMPRO	3.1	(1.1)	17.8	2.9	5.8	4.5	(3.6)	(8.0)	0.5	1.5	2.5	3.5
CPAXT (Makro)	1.0	7.4	8.9	9.6	10.9	6.0	3.2	1.7	4.0	4.0	4.0	4.0
MC	(7.7)	43.0	86.0	14.6	27.6	5.0	4.6	8.0	2.5	0.0	3.0	3.0
MOSHI	(3.4)	53.4	149.1	27.1	43.6	19.9	11.5	4.0	2.0	2.0	4.0	4.0
Average	6.8	19.9	43.9	9.7	11.2	4.5	1.0	(1.1)	0.4	0.6	2.1	4.1

Sources: Company data, Thanachart estimates

Ex 12: Quarterly SSS Vs. Pre-COVID

(%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24F	2Q24F	3Q24F	4Q24F
BIGC (exc B2B)	(29.0)	(29.0)	(25.3)	(21.1)	(24.9)	(25.6)	(23.7)	(21.5)	(23.4)	(24.1)	(22.2)	(19.9)
CPALL	(10.1)	(7.0)	(5.0)	(4.5)	(2.9)	(0.4)	(1.7)	(1.0)	0.6	1.9	1.3	1.9
CPN	(16.3)	(15.4)	(11.1)	(7.0)	(4.0)	(4.0)	(3.6)	(3.5)	(2.1)	(2.1)	(1.6)	(1.5)
CRC	(18.9)	(12.7)	(6.4)	(5.0)	(8.3)	(9.2)	(6.4)	(6.9)	(6.5)	(6.5)	(3.6)	(3.6)
DOHOME	39.2	39.7	32.6	20.0	26.8	25.9	23.2	8.6	14.1	15.9	17.1	19.5
GLOBAL	13.6	9.7	10.9	8.6	3.7	(0.8)	(2.8)	(4.7)	(1.5)	(3.7)	(0.8)	1.0
HMPRO	(2.6)	(6.7)	1.0	7.0	3.0	(2.5)	(2.7)	(1.5)	3.6	(1.0)	(0.2)	1.9
CPAXT (Makro)	6.8	9.8	14.6	14.8	18.4	16.4	18.3	16.7	23.1	21.1	23.0	21.4
MC	(23.8)	4.7	0.6	(1.6)	(2.8)	9.9	5.3	6.3	(0.4)	9.9	8.4	9.5
Average	(4.6)	(0.8)	1.3	1.3	1.0	1.1	0.7	(0.8)	0.8	1.3	2.4	3.4

Sources: Company data, Thanachart estimates

Ex 13: Yearly SSSG

(%)	2020	2021	2022	2023	2024F	2025F	2026F
BIGC	(15.2)	(11.0)	2.0	3.0	2.0	1.0	1.0
CPALL	(14.5)	(6.7)	15.9	5.5	3.0	3.0	3.0
CPN	(34.0)	(8.0)	45.0	9.0	2.0	3.0	3.0
CRC	(20.8)	(5.0)	20.0	3.0	2.9	3.4	3.4
DOHOME	0.2	25.5	7.2	(9.5)	(3.2)	2.0	2.0
GLOBAL	(9.0)	18.2	2.5	(10.8)	0.0	2.0	2.0
HMPRO	(8.5)	3.4	5.1	(0.5)	2.0	3.0	3.0
CPAXT	1.9	2.5	6.8	5.3	4.0	3.0	2.0
MC	(11.9)	0.1	(7.0)	27.0	3.8	3.0	3.0
MOSHI	(35.6)	(13.7)	40.5	16.9	3.0	5.0	5.0
Average	(14.7)	0.5	13.8	4.9	2.0	2.8	2.7

Sources: Company data, Thanachart estimates

Ex 14: Yearly SSS Vs. Pre-COVID

(%)	2020	2021	2022	2023	2024F	2025F	2026F
BIGC	(15.2)	(24.5)	(23.0)	(20.7)	(19.1)	(18.3)	(17.5)
CPALL	(14.5)	(20.2)	(7.5)	(2.5)	0.5	3.5	6.6
CPN	(34.0)	(39.3)	(12.0)	(4.0)	(2.1)	0.8	3.8
CRC	(20.8)	(24.7)	(9.7)	(6.9)	(4.2)	(1.0)	2.4
DOHOME	0.2	25.8	34.8	22.1	18.1	20.5	22.9
GLOBAL	(9.0)	7.5	10.3	(1.7)	(1.7)	0.3	2.3
HMPRO	(8.5)	(5.4)	(0.6)	(1.1)	0.9	3.9	7.1
CPAXT	1.9	4.4	11.5	17.5	22.2	25.8	28.3
MC	(11.9)	(11.8)	(18.0)	4.2	8.1	11.4	14.7
MOSHI	(35.6)	(44.4)	(21.9)	(8.7)	(6.0)	(1.3)	3.7
Average	(14.7)	(14.3)	(2.5)	2.3	4.3	7.3	10.2

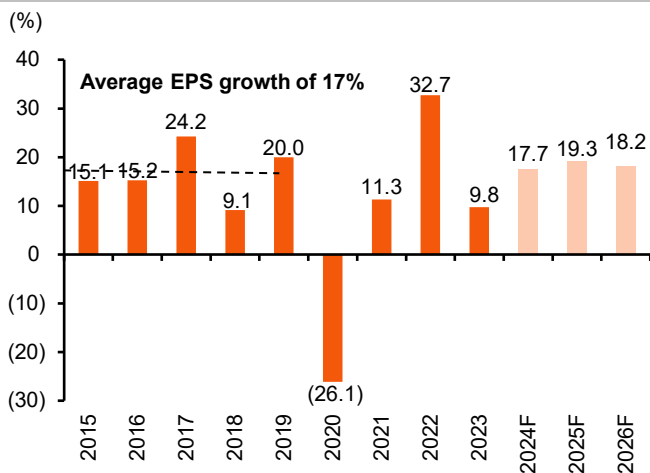
Sources: Company data, Thanachart estimates

Fourth, a better valuation matrix

Same growth, lower PE

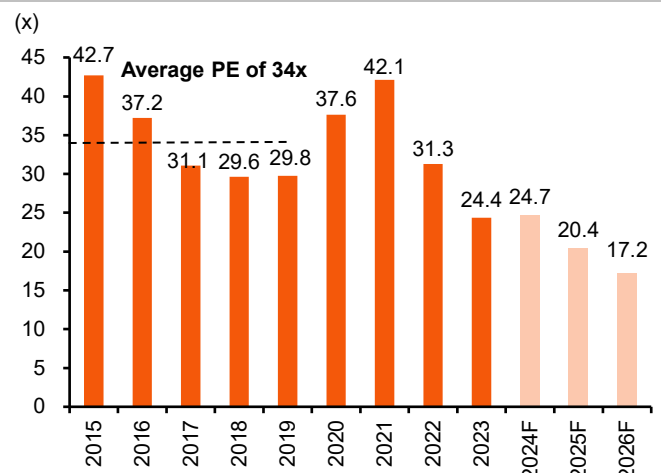
The Thai retail sector’s valuation matrix has improved significantly, in our view, with a similar growth level as in the past but a far lower PE. The sector is trading on 25/20x PE multiples against 18/19% EPS growth in 2024-25F. This compares to an average of 34x PE against 17% p.a. growth during 2015-19. ROE is at 16.4% in 2024F vs. an average of 20.1% in 2015-19. Excluding CPALL and CPAXT, which saw ROE fall after Lotus’s acquisition, the sector’s ROE is 17.6x in 2024F vs. 17.5x in 2015-19.

Ex 15: Retail Sector's Normalized EPS Growth



Sources: Company data, Thanachart estimates

Ex 16: Sector's PE



Sources: Company data, Thanachart estimates

A new expansion model

Trend towards hybrid stores

With Thailand’s urbanization rate of 54%, the potential for urbanization is substantial, as is the room for modern trade operators’ store expansions. After the full country reopening in 2022, retailers ramped up store expansion to 10% in 2023 after a 7-8% clip p.a. during the COVID years.

Offline-online integration

Thai retail sector has experienced significant changes in consumer behavior as Thais have become comfortable with online shopping, accelerated by the COVID crisis. Listed operators quickly responded to this trend, so the omnichannel sales contribution increased from below 3% in 2019 to a 10-20% sales mix for some retailers, i.e., 6% for HMPRO, 10%

for the fashion apparel retailer MC, 11% for CPALL's 7-Eleven delivery service, 13% for CPAXT (combined Makro wholesale and Lotus's retail), and 19% for multi-business retailer CRC (fashion, food, hardline).

We also see a trend towards hybrid store models combining different businesses/store banners in one location to better utilize assets, i.e., landbanks and buildings for cost efficiency and attracting more traffic flow by offering a variety of shopping experiences.

CPAXT: Makro wholesale + Lotus's mall (hybrid wholesale)

CPAXT launched its first hybrid store in October last year at its Srinakarin branch in Samut Prakarn province to capture synergies between Makro cash & carry and its wholly owned subsidiary Lotus's. The first hybrid store in Samut Prakarn has a Makro cash & carry store as the anchor tenant on 3,900 sqm of selling area and a Lotus's mall with 4,300 sqm of leasable area. The store was originally a non-performing Lotus's hypermarket with 50-60% mall occupancy. After converting the selling area into Makro wholesale, more customers have visited the store, and mall occupancy has improved. Another two hybrid stores were added to reach three hybrid branches as of 2023. This year, it plans to renovate some Makro stores by adding rental areas of Lotus's malls, from operating only the wholesale business originally.

HMPRO: HomePro + Mega Home

HMPRO also launched its first two hybrid branches last year, combining the selling area of HomePro's home decorative store with Mega Home's building materials store. This year, it plans to open more hybrid branches by launching new Mega Home stores with existing HomePro stores to benefit from HomePro's good locations in city center areas. The hybrid store model has lower capex utilizing existing landbank while operating expenses are lower than being separate stores due to shared cashiers, employees, and parking space.

CRC: GO Wholesale + other CRC stores

CRC introduced its new food wholesale business, GO Wholesale, last year. Given its advantage of operating many retail stores in various retail segments, the first GO Wholesale branch at Srinakarin was opened adjacent to an existing Thai Watsadu branch. Later, the next GO Wholesale stores were opened with OfficeMate and also PowerBuy,

CPN: mixed-use projects

CPN initiated a mixed-use development model from 2018 by either launching office, hotel, or residential space for sale with its shopping mall to complete the shopping mall ecosystem. Last year, there are 18 mixed-use projects (of total 40 shopping malls) and it targets to increase mixed-use projects to 25 by 2028.

MOSHI: Moshi Moshi + Garlic

MOSHI launched its first new concept store, the Garlic home décor store, last year. The first Garlic branch was attached to its Moshi Moshi flagship branch at Future Park Rangsit shopping mall as a shop-in-shop store. The second and third Garlic branches in Mahasarakham and Chiang Mai provinces were opened side by side with existing Moshi Moshi stores in shopping malls. In addition to hybrid store models, retailers have been exploring expansion opportunities in new store formats. In February this year, MOSHI tested the new market by launching the first standalone Moshi Moshi store in a smaller store format than in shopping malls and hypermarkets near Mae Fah Luang University in Chiang Rai. The occupancy cost of the standalone branch is fixed and below those in shopping malls/hypermarkets. It plans to open more standalone branches near universities/schools.

MC: Mc Outlets

MC, in 2021, started to convert mcmc shops at PTT gas stations to Mc Outlets. As Mc Outlets have been successful, pushing sales/store up by 2-3x, it was operating 126 Mc Outlets as of December last year. Though Mc Outlets are discount stores, they sell a higher portion of higher-margin non-denim products while occupancy costs at gas stations are lower than at malls/department stores.

CPALL: More 7-Eleven standalone branches

CPALL is expanding 80% of its 700 new branches each year in a larger standalone format with parking space. Standalone stores have larger store sizes of four shophouses from a typical one to two shophouses. The standalone format accommodates more product SKUs,

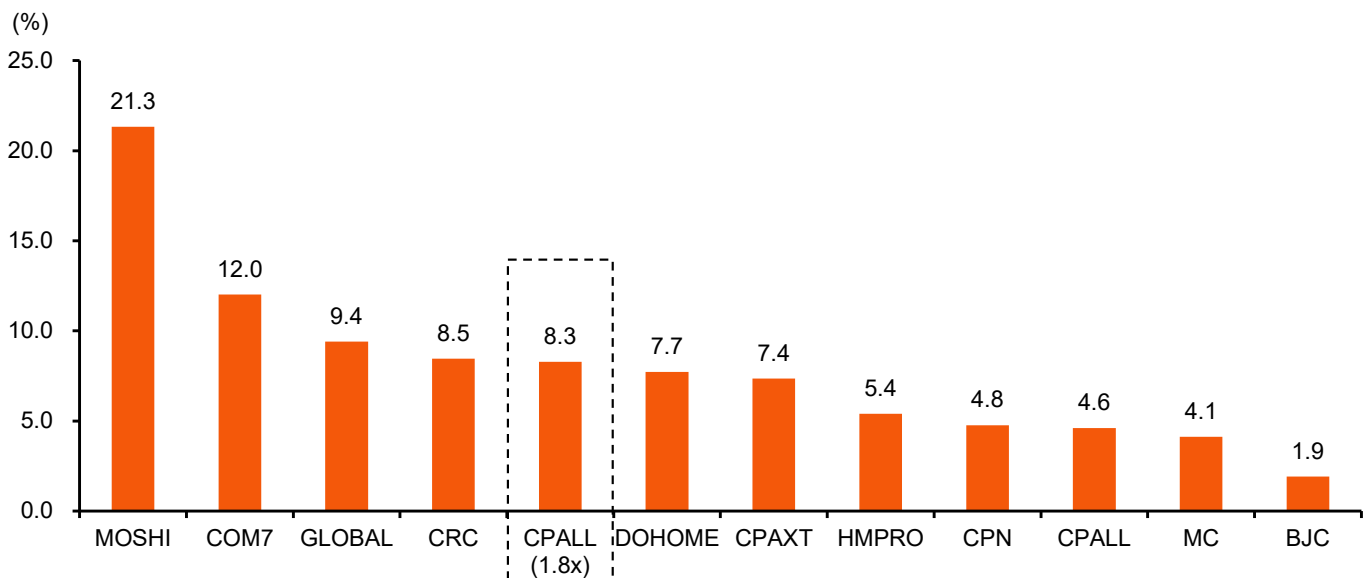
brings more customers, and supports SSSG. The 7-Eleven standalone format extends the store concept to be a supermarket near home rather than being only a convenience food store. This explains why CPALL has been gaining more CVS market share and why last year's total product margin reached a new record of 26.9%. CPALL is the only retailer enlarging its store sizes. If we count the planned store increases in 2024-26, 700 new branches a year imply 4.6% p.a. store expansion growth. But if we factor in its larger store sizes, store expansion growth would be 8.3% p.a. in 2024-26.

Ex 17: New Expansion Model



Sources: Company data, Thanachart

Ex 18: A Three-Year Expansion CAGR (2024-26F)



Source: Thanachart estimates

Can be a play on the falling interest rate story

Pressured by interest rate upcycle in 2022-23

Interest rates started to rise in the middle of 2022 when the policy rate jumped from 0.5% to 2.5% at present. This was one of the earnings drag factors for the retail sector during the period. The retailers we cover had an average net gearing of 0.6x last year, and only two companies, MC and MOSHI, had no interest-bearing debts (IBD). The companies with a

high ratio of floating debts, COM7 (100% floating), DOHOME (85%), CRC (75%), GLOBAL (67%), and CPN (55%), suffered from a rising interest burden during 2022-23.

We expect DOHOME and CRC to benefit the most from rate cuts

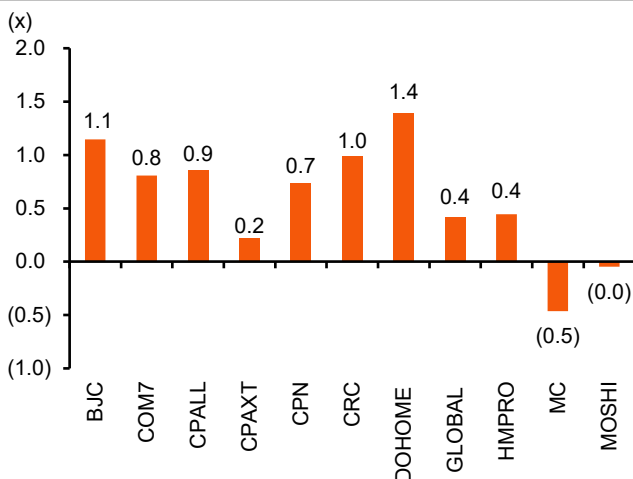
Based on our house view of policy rate cuts, we expect DOHOME and CRC to benefit more than their peers from falling interest expenses. This is due to their high proportion of floating-rate IBD (DOHOME @ 85%, CRC @ 75%) and high ratio of interest expenses to normalized profit last year at 106% for DOHOME and 57% for CRC. Retailers with high IBD, despite a high ratio of fixed debts, also benefit from falling rates when their fixed debts come due and are rolled over.

CPALL to benefit but later on when bonds are due to mature

CPALL had the highest outstanding IBD of Bt327bn as of 2023 with 0.9x net gearing. Of its total IBD, Bt293bn is in fixed-rate debentures. In March this year, it issued Bt15bn worth of additional debentures. Therefore, we estimate its fixed debts to rise from 94% as of last year to 97% in 1Q24F. Though CPALL's debts are mostly fixed, its debentures (including CPAXT's debentures) have 2-15 years' maturity. It also benefits from falling interest rates, given that Bt46.4/40.2bn of debentures will mature in 2024-25.

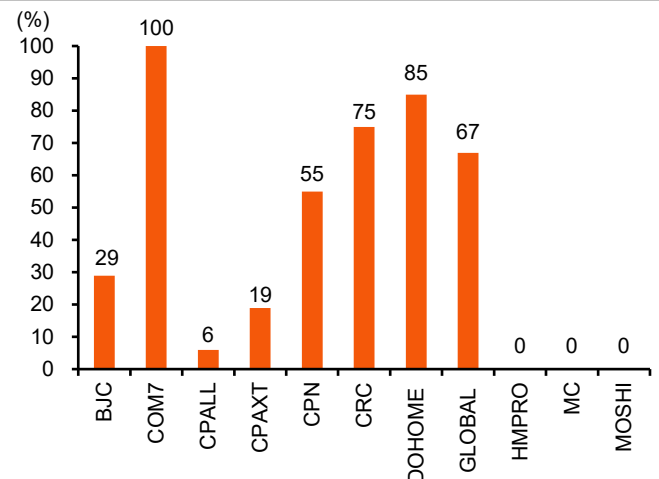
CPAXT has grown debts attached with Lotus's takeover and has Bt96bn of outstanding IBD. Of 81% in fixed debts, Bt70bn are debentures with 1.5-10 years' maturity. Bt17.6/18.5bn of debentures are due to mature in 2024-25.

Ex 19: Net D/E (YE2023)



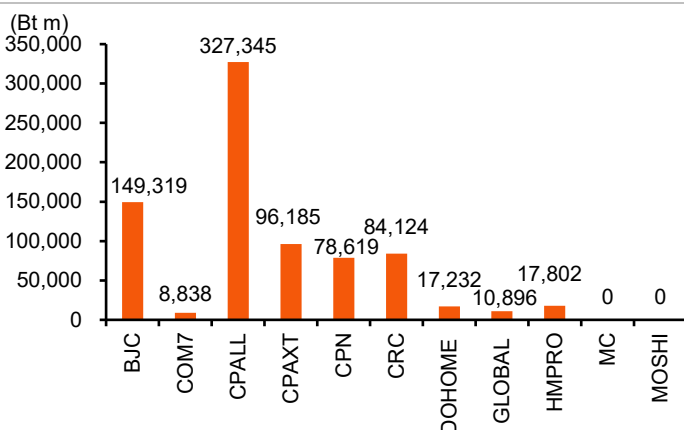
Source: Company data

Ex 20: Floating-rate IBD (YE2023)



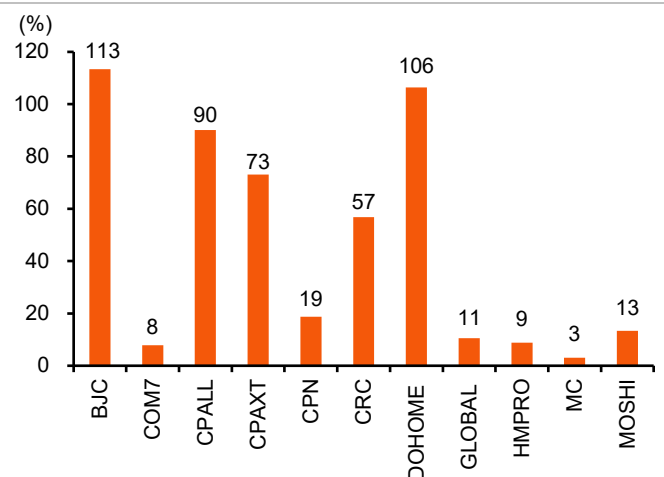
Sources: Company data, Thanachart estimates

Ex 21: IBD (2023)



Source: Company data

Ex 22: Interest Expense/Normalized Profit (2023)



Sources: Company data, Thanachart calculation

Our top picks are CPALL and DOHOME

Sector earnings fine-tuned

Since 2023 results came in mostly in line with our expectations, we have fine-tuned our sector normalized profit estimates by only 1.2/1.2/0.5% in 2024-26F. We expect the sector to deliver strong and sustainable EPS growth of 18/19/18% in 2024-26F.

Biggest upgrade for DOHOME

The biggest earnings upgrade is for DOHOME (BUY rating maintained). We have raised our DCF-based TP for DOHOME by 7% to Bt14.5/share due to a stronger-than-expected gross margin turnaround from house-brand products and our higher SSS assumptions of -3.2/2/2% in 2024-26F from -5/2/2% previously, on better-than-expected SSS of -10% in 1Q24F vs. our -15% forecast earlier.

Biggest downgrade for BJC

BJC has had the biggest downgrade, and we reaffirm our SELL call. We have cut our DCF-based TP by 27% to Bt22/share due to our lower SSS assumptions because BIGC has been losing market share to CPAXT's Lotus's hypermarkets, while we have also lowered our long-term store expansion assumption.

Ex 23: Key Assumption Changes

	BJC	COM7	CPALL	CPAXT	CPN	CRC	DOHOME	GLOBAL	HMPRO	MC	MOSHI	Industry ^{1/}
SSS growth ^{1/} (%)												
2024F - New	2.0	9.7	3.0	4.0	2.0	2.9	(3.2)	0.0	2.0	3.8	3.0	2.0
2024F - Old	3.0	12.8	3.0	2.0	2.0	2.6	(5.0)	0.0	2.0	5.0	3.0	1.8
2025F - New	1.0	11.8	3.0	3.0	3.0	3.4	2.0	2.0	3.0	3.0	5.0	2.8
2025F - Old	3.0	11.8	3.0	2.0	3.0	3.4	2.0	2.0	3.0	5.0	5.0	3.1
2026F - New	1.0	9.9	3.0	2.0	3.0	3.4	2.0	2.0	3.0	3.0	5.0	2.7
2026F - Old	1.0	9.9	3.0	2.0	3.0	3.4	2.0	2.0	3.0	3.0	5.0	2.7
# New stores												
2024F - New	5	180	700	11	2	28	0	8	7	40	31	1,012
2024F - Old	5	130	700	11	2	28	1	8	7	40	31	963
2025F - New	4	190	700	12	2	31	3	9	7	40	36	1,034
2025F - Old	4	140	700	12	2	31	3	9	7	40	36	984
2026F - New	3	180	700	14	2	31	3	9	7	8	36	993
2026F - Old	4	140	700	14	2	31	3	9	7	8	36	954
# stores (YE)												
2024F - New	228	1,536	15,245	167	42	354	24	92	130	724	162	18,704
2024F - Old	228	1,486	15,245	167	42	354	25	92	130	724	162	18,655
2025F - New	232	1,726	15,945	179	44	385	27	101	137	764	198	19,738
2025F - Old	232	1,626	15,945	179	44	385	28	101	137	764	198	19,639
2026F - New	235	1,906	16,645	193	46	416	30	110	144	772	234	20,731
2026F - Old	236	1,766	16,645	193	46	416	31	110	144	772	234	20,593
Gross margin on sales (%)												
2024F - New	18.2	13.1	24.1	13.9	53.0	26.3	16.8	25.9	26.7	64.3	54.3	30.6
2024F - Old	18.1	12.9	24.2	13.9	53.0	26.2	16.8	25.9	26.7	64.3	54.3	30.6
2025F - New	18.2	13.1	24.2	13.9	54.0	25.8	17.6	26.2	26.9	64.6	55.5	30.9
2025F - Old	18.1	12.9	24.4	14.0	54.0	25.8	17.6	26.2	26.9	64.6	55.5	30.9
2026F - New	18.2	13.2	24.4	14.0	55.9	25.2	18.0	26.6	27.0	64.9	56.4	31.2
2026F - Old	18.1	12.9	24.6	14.0	55.9	25.2	18.0	26.6	27.0	64.9	56.4	31.2

Sources: Company data, Thanachart estimates

Ex 23: Key Assumption Changes (Con't)

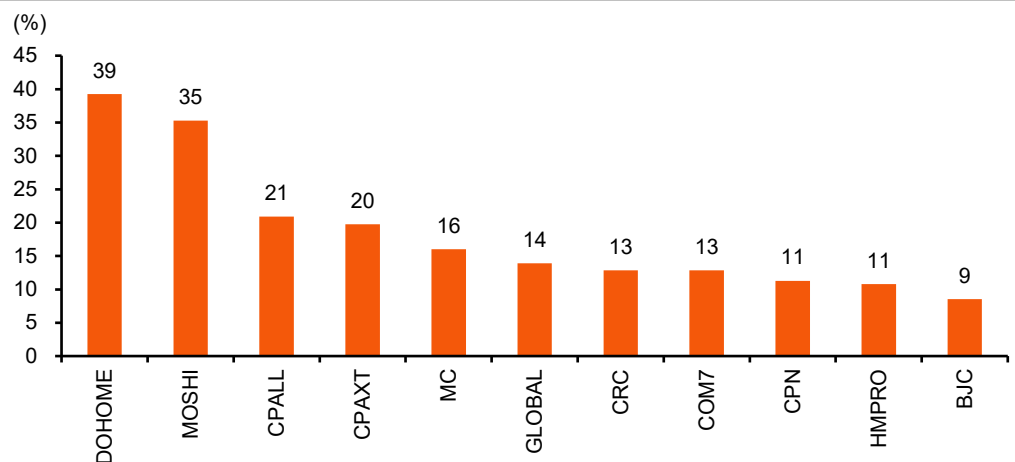
	BJC	COM7	CPALL	CPAXT	CPN	CRC	DOHOME	GLOBAL	HMPRO	MC	MOSHI	Industry ^{1/}
Normalized profit (Bt m)												
2024F - New	5,087	3,027	22,295	10,776	15,031	9,162	787	2,978	7,146	730	530	77,549
2024F - Old	5,817	3,017	21,650	10,318	15,031	8,614	735	2,974	7,192	741	530	76,619
Change (%)	(12.5)	0.3	3.0	4.4	0.0	6.4	7.1	0.1	(0.6)	(1.5)	0.0	1.2
2025F - New	5,445	3,708	26,125	12,714	16,574	10,250	1,110	3,462	7,864	865	738	88,855
2025F - Old	6,327	3,720	25,485	12,068	16,574	9,739	943	3,421	7,928	895	738	87,838
Change (%)	(13.9)	(0.3)	2.5	5.4	0.0	5.2	17.7	1.2	(0.8)	(3.4)	0.0	1.2
2026F - New	6,027	4,273	31,553	14,847	19,180	11,747	1,438	3,972	8,763	1,005	995	103,800
2026F - Old	6,720	4,242	31,113	14,623	19,180	11,340	1,187	3,916	8,959	1,038	995	103,313
Change (%)	(10.3)	0.7	1.4	1.5	0.0	3.6	21.1	1.4	(2.2)	(3.2)	0.0	0.5
TP (Bt/share)												
New	22.00	26.00	70.00	33.00	87.00	45.00	14.50	19.00	15.00	15.00	70.00	
Old	30.00	26.00	69.00	32.00	87.00	44.00	13.50	19.00	15.00	15.00	70.00	

Sources: Company data, Thanachart estimates

DOHOME is a new addition to our top picks, along with CPALL

Our top picks are CPALL and DOHOME. Please see the company pages attached to this sector note. CPALL is a big-cap stock with a strong 21% three-year EPS CAGR, and it can also be considered a falling interest rate theme play. DOHOME is a small-cap play offering the sector's best three-year EPS CAGR of 39%, given its strong earnings turnaround story and since it is a play on the government's sped-up spending. With its 85:15 ratio of floating vs. fixed IBD and high interest burden/earnings base, we expect DOHOME to benefit the most from the falling interest rate trend.

Ex 24: A Three-Year Normalized EPS CAGR (2024-26F)



Sources: Company data, Thanachart estimates

Ex 25: CPALL TB - BUY, Price Bt54.50, TP Bt70.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	920,373	1,002,835	1,072,029	1,140,397
Net profit	18,482	22,295	26,125	31,553
Norm profit	18,374	22,295	26,125	31,553
Norm EPS (Bt)	2.0	2.4	2.9	3.5
Norm EPS grw (%)	43.3	24.1	17.5	21.2
Norm PE (x)	27.8	22.4	19.1	15.7
EV/EBITDA (x)	10.1	8.9	8.0	7.1
P/BV (x)	4.4	4.0	3.6	3.2
Div yield (%)	1.8	2.2	2.6	3.2
ROE (%)	17.4	19.1	20.1	21.7
Net D/E (%)	86.2	85.3	77.0	66.5

Sources: Company data; Thanachart estimates

Ex 26: DOHOME TB - BUY, Price Bt11.00, TP Bt14.50

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	31,218	32,317	35,124	38,753
Net profit	585	787	1,110	1,438
Norm profit	532	787	1,110	1,438
Norm EPS (Bt)	0.2	0.2	0.3	0.4
Norm EPS grw (%)	(37.3)	47.8	41.0	29.6
Norm PE (x)	66.8	45.2	32.1	24.7
EV/EBITDA (x)	29.0	23.8	20.4	17.4
P/BV (x)	2.9	2.7	2.5	2.3
Div yield (%)	0.0	0.1	0.1	0.1
ROE (%)	4.5	6.2	8.1	9.7
Net D/E (%)	139.1	113.6	111.4	105.2

Sources: Company data; Thanachart estimates

CPALL: Strong on both wheels

- A big-cap stock with a 21% three-year EPS CAGR.
- Both its CVS and wholesale and retail chain stores under 59.92%-owned CP Aextra Pcl (CPAXT TB, Bt31.00, HOLD) are growing.
- 7-Eleven's market position is strengthening. It still targets to open 700 new 7-Elevens/year while expanding store sizes and adding more SKUs leading to market share gains from other CVS operators and other retail segments. Total product margin achieved a new record of 26.9% last year.
- We estimate CPAXT to deliver a 20% three-year EPS CAGR from wholesale store expansion and Lotus's turnaround.

Sources: Company data; Thanachart estimates

DOHOME: A turnaround play

- A leading provincial building materials retailer targeting to double its store number to 40-50 from 24 last year.
- A strong core EPS turnaround with a 39% three-year CAGR.
- A clear gross margin recovery since 2H23 from a rising private-brand gross margin and sales mix.
- 2H24F catalysts from a resumption of government spending (50% construction materials sales mix, 20% of customers are contractors) and policy rate cuts (high 85% portion of floating-rate debts).
- Net margin bottomed out at 1.7% last year, and we expect it to rise to 2.4/3.2/3.7% in 2024-26F.

Sources: Company data; Thanachart estimates

Ex 27: BJC TB - SELL, Price Bt24.70, TP Bt22.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	154,672	161,546	167,522	173,360
Net profit	4,795	5,087	5,445	6,027
Norm profit	4,710	5,087	5,445	6,027
Norm EPS (Bt)	1.2	1.3	1.4	1.5
Norm EPS grw (%)	(5.2)	8.0	7.0	10.7
Norm PE (x)	20.9	19.4	18.1	16.4
EV/EBITDA (x)	11.8	11.0	10.6	10.2
P/BV (x)	0.8	0.8	0.8	0.8
Div yield (%)	3.2	3.6	3.9	4.3
ROE (%)	4.0	4.2	4.5	4.9
Net D/E (%)	114.7	111.7	107.2	102.0

Sources: Company data; Thanachart estimates

Ex 28: COM7 TB - BUY, Price Bt19.30, TP Bt26.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	69,559	76,319	85,333	93,773
Net profit	2,857	3,027	3,708	4,273
Norm profit	2,974	3,027	3,708	4,273
Norm EPS (Bt)	1.2	1.3	1.5	1.8
Norm EPS grw (%)	(2.2)	1.8	22.5	15.2
Norm PE (x)	15.6	15.3	12.5	10.8
EV/EBITDA (x)	11.4	10.6	8.9	7.7
P/BV (x)	5.8	5.0	4.2	3.6
Div yield (%)	3.6	3.8	4.7	5.4
ROE (%)	39.1	34.8	36.3	35.5
Net D/E (%)	80.7	57.5	46.4	32.5

Sources: Company data; Thanachart estimates

Ex 29: CPAXT TB - HOLD, Price Bt31.00, TP Bt33.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	486,472	533,090	566,800	597,836
Net profit	8,640	10,776	12,714	14,847
Norm profit	8,640	10,776	12,714	14,847
Norm EPS (Bt)	0.8	1.0	1.2	1.4
Norm EPS grw (%)	12.3	24.7	18.0	16.8
Norm PE (x)	38.0	30.4	25.8	22.1
EV/EBITDA (x)	12.8	12.3	11.3	10.2
P/BV (x)	1.1	1.1	1.1	1.0
Div yield (%)	1.8	2.3	2.7	3.2
ROE (%)	3.0	3.6	4.1	4.8
Net D/E (%)	22.0	25.9	26.8	25.8

Sources: Company data; Thanachart estimates

Ex 30: CPN TB - BUY, Price Bt63.25, TP Bt87.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	45,613	50,280	52,985	57,498
Net profit	15,062	16,359	17,459	19,180
Norm profit	13,916	15,031	16,574	19,180
Norm EPS (Bt)	3.1	3.3	3.7	4.3
Norm EPS grw (%)	38.7	8.0	10.3	15.7
Norm PE (x)	20.4	18.9	17.1	14.8
EV/EBITDA (x)	14.3	13.2	12.1	10.9
P/BV (x)	3.1	2.8	2.6	2.4
Div yield (%)	2.8	2.9	3.1	3.4
ROE (%)	16.0	15.6	15.8	16.7
Net D/E (%)	73.1	72.0	68.9	67.3

Sources: Company data; Thanachart estimates

Ex 31: CRC TB - BUY, Price Bt35.25, TP Bt45.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	231,438	263,097	296,516	335,269
Net profit	8,016	9,412	10,250	11,747
Norm profit	8,168	9,162	10,250	11,747
Norm EPS (Bt)	1.4	1.5	1.7	1.9
Norm EPS grw (%)	17.9	12.2	11.9	14.6
Norm PE (x)	26.0	23.2	20.7	18.1
EV/EBITDA (x)	9.0	8.5	8.0	7.5
P/BV (x)	3.2	2.9	2.7	2.5
Div yield (%)	1.6	1.8	1.9	2.2
ROE (%)	12.6	12.6	13.5	14.2
Net D/E (%)	98.6	95.9	87.6	77.9

Sources: Company data; Thanachart estimates

Ex 32: GLOBAL TB - BUY, Price Bt16.70, TP Bt19.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	32,301	34,649	37,737	40,935
Net profit	2,671	2,978	3,462	3,972
Norm profit	2,671	2,978	3,462	3,972
Norm EPS (Bt)	0.5	0.6	0.7	0.8
Norm EPS grw (%)	(24.5)	11.2	16.0	14.6
Norm PE (x)	32.3	29.1	25.1	21.9
EV/EBITDA (x)	24.3	22.4	19.8	17.6
P/BV (x)	3.7	3.4	3.1	2.8
Div yield (%)	1.0	1.2	1.4	1.6
ROE (%)	11.9	12.3	13.0	13.6
Net D/E (%)	41.4	38.7	32.5	27.6

Sources: Company data; Thanachart estimates

Ex 33: HMPRO TB - BUY, Price Bt10.60, TP Bt15.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	70,166	77,387	83,772	89,801
Net profit	6,442	7,146	7,864	8,763
Norm profit	6,442	7,146	7,864	8,763
Norm EPS (Bt)	0.5	0.5	0.6	0.7
Norm EPS grw (%)	3.6	10.9	10.0	11.4
Norm PE (x)	21.6	19.5	17.7	15.9
EV/EBITDA (x)	12.6	11.3	10.4	9.5
P/BV (x)	5.5	5.3	4.9	4.6
Div yield (%)	3.8	4.1	4.5	5.0
ROE (%)	25.9	27.1	28.8	29.9
Net D/E (%)	44.5	36.9	36.8	33.5

Sources: Company data; Thanachart estimates

Ex 34: MC TB - BUY, Price Bt12.90, TP Bt15.00

Y/E Jun (Bt m)	2023A	2024F	2025F	2026F
Sales	3,670	4,113	4,582	5,021
Net profit	644	730	865	1,005
Norm profit	644	730	865	1,005
Norm EPS (Bt)	0.8	0.9	1.1	1.3
Norm EPS grw (%)	32.5	13.5	18.4	16.1
Norm PE (x)	15.9	14.0	11.8	10.2
EV/EBITDA (x)	7.2	7.3	6.5	5.8
P/BV (x)	2.7	2.7	2.6	2.6
Div yield (%)	6.3	6.9	8.3	9.8
ROE (%)	17.4	19.5	22.6	25.7
Net D/E (%)	(46.4)	(42.9)	(44.1)	(45.7)

Sources: Company data; Thanachart estimates

Ex 35: MOSHI TB - BUY, Price Bt55.25, TP Bt70.00

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	2,530	3,024	3,751	4,619
Net profit	402	530	738	995
Norm profit	402	530	738	995
Norm EPS (Bt)	1.2	1.6	2.2	3.0
Norm EPS grw (%)	28.3	31.9	39.4	34.7
Norm PE (x)	45.4	34.4	24.7	18.3
EV/EBITDA (x)	21.8	17.8	13.7	10.6
P/BV (x)	9.2	8.0	6.7	5.6
Div yield (%)	1.1	1.4	2.0	2.7
ROE (%)	22.4	23.2	29.6	33.2
Net D/E (%)	(4.8)	(7.7)	(14.6)	(24.3)

Sources: Company data; Thanachart estimates

Ex 36: Sector Valuation Comparison

		BJC	COM7	CPALL	CPAXT	CPN	CRC	DOHOME	GLOBAL	HMPRO	MC	MOSHI	Industry
Rating		SELL	BUY	BUY	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	
Target price	Thanachart	22.00	26.00	70.00	33.00	87.00	45.00	14.50	19.00	15.00	15.00	70.00	
	Consensus	31.04	23.66	73.17	35.16	82.10	44.81	11.36	16.95	14.46	15.90	64.24	
Consensus rec.	Buy	13	7	27	12	22	21	6	7	25	6	4	
	Hold	3	5	2	9	2	3	6	9	2	0	2	
	Sell	2	1	0	0	0	0	1	3	0	0	0	
Sales (Bt m)	2023	154,672	69,559	920,373	486,472	45,613	231,438	31,218	32,301	70,166	3,670	2,530	2,048,011
	2024F	161,546	76,319	1,002,835	533,090	50,280	263,097	32,317	34,649	77,387	4,113	3,024	2,238,658
	2025F	167,522	85,333	1,072,029	566,800	52,985	296,516	35,124	37,737	83,772	4,582	3,751	2,406,152
	2026F	173,360	93,773	1,140,397	597,836	57,498	335,269	38,753	40,935	89,801	5,021	4,619	2,577,262
Norm profits (Bt m)	2023	4,710	2,974	18,374	8,640	13,916	8,168	532	2,671	6,442	644	402	67,472
	2024F	5,087	3,027	22,295	10,776	15,031	9,162	787	2,978	7,146	730	530	77,550
	2025F	5,445	3,708	26,125	12,714	16,574	10,250	1,110	3,462	7,864	865	738	88,853
	2026F	6,027	4,273	31,553	14,847	19,180	11,747	1,438	3,972	8,763	1,005	995	103,799
Sales growth (%)	2023	2.9	10.9	8.0	4.4	25.5	5.2	(0.3)	(8.4)	5.0	25.6	33.8	10.2
	2024F	4.4	9.7	9.0	9.6	10.2	13.7	3.5	7.3	10.3	12.1	19.6	9.9
	2025F	3.7	11.8	6.9	6.3	5.4	12.7	8.7	8.9	8.3	11.4	24.0	9.8
	2026F	3.5	9.9	6.4	5.5	8.5	13.1	10.3	8.5	7.2	9.6	23.2	9.6
Norm profit growth (%)	2023	(5.2)	(2.2)	38.3	12.3	38.7	18	(37.3)	(24.4)	3.6	32.5	58.6	12.1
	2024F	8.0	1.8	21.3	24.7	8.0	12.2	47.8	11.5	10.9	13.5	31.9	17.4
	2025F	7.0	22.5	17.2	18.0	10.3	11.9	41.0	16.3	10.0	18.4	39.4	19.3
	2026F	10.7	15.2	20.8	16.8	15.7	14.6	29.6	14.7	11.4	16.1	34.7	18.2
Norm EPS growth (%)	2023	(5.2)	(2.2)	43.3	12.3	38.7	18	(37.3)	(24.5)	3.6	32.5	28.3	9.8
	2024F	8.0	1.8	24.1	24.7	8.0	12.2	47.8	11.2	10.9	13.5	31.9	17.7
	2025F	7.0	22.5	17.5	18.0	10.3	11.9	41.0	16.0	10.0	18.4	39.4	19.3
	2026F	10.7	15.2	21.2	16.8	15.7	14.6	29.6	14.6	11.4	16.1	34.7	18.2
Gross margin (%)	2023	19.4	13.2	24.1	16.1	52.8	28.7	15.7	25.6	27.5	64.8	53.4	31.0
	2024F	19.6	13.0	24.0	16.2	53.0	28.2	16.8	25.9	27.6	64.3	54.3	31.2
	2025F	19.6	13.0	24.2	16.3	54.0	27.7	17.6	26.2	27.8	64.6	55.5	31.5
	2026F	19.6	13.2	24.4	16.4	55.9	27.1	18.0	26.6	27.9	64.9	56.4	31.8
SG&A/Sales (%)	2023	20.5	7.9	19.5	13.4	16.8	30.2	12.8	17.1	19.1	43.2	32.2	21.1
	2024F	20.4	7.7	19.3	13.3	16.5	29.3	13.1	17.1	19.1	42.5	31.0	20.9
	2025F	20.5	7.4	19.3	13.3	16.0	28.8	13.3	16.9	19.2	41.5	29.6	20.5
	2026F	20.5	7.3	19.1	13.1	15.5	28.1	13.2	16.7	19.0	40.5	28.3	20.1
Net margin (%)	2023	3.8	4.3	2.3	1.6	26.2	3.3	1.7	7.9	9.2	17.6	15.9	8.5
	2024F	3.8	4.0	2.6	1.9	25.6	3.3	2.4	8.2	9.2	17.8	17.5	8.8
	2025F	3.9	4.4	2.8	2.1	27.0	3.3	3.2	8.8	9.4	18.9	19.7	9.4
	2026F	4.1	4.6	3.2	2.3	29.2	3.4	3.7	9.3	9.8	20.0	21.5	10.1
ROE (%)	2023	4.0	39.1	17.4	3.0	16.0	12.6	4.5	11.9	25.9	17.4	22.4	15.8
	2024F	4.2	34.8	19.1	3.6	15.6	13.1	6.2	12.3	27.5	19.5	24.8	16.4
	2025F	4.5	36.3	20.1	4.1	15.8	13.5	8.1	13.0	28.8	22.6	29.6	17.9
	2026F	4.9	35.5	21.7	4.8	16.7	14.2	9.7	13.6	29.9	25.7	33.2	19.1
Norm PE (x)	2023	20.9	15.6	27.8	38.0	20.4	26.0	66.8	32.3	21.6	15.9	45.4	24.3
	2024F	19.4	15.3	22.4	30.4	18.9	23.2	45.2	29.1	19.5	14.0	34.4	24.7
	2025F	18.1	12.5	19.1	25.8	17.1	20.7	32.1	25.1	17.7	11.8	24.7	20.4
	2026F	16.4	10.8	15.7	22.1	14.8	18.1	24.7	21.9	15.9	10.2	18.3	17.2
Dividend yield (%)	2023	3.2	3.6	1.8	1.8	2.8	1.6	0.0	1.0	3.8	6.3	1.1	2.5
	2024F	3.6	3.8	2.2	2.3	2.9	1.8	0.1	1.2	4.1	6.9	1.4	2.8
	2025F	3.9	4.7	2.6	2.7	3.1	1.9	0.1	1.4	4.5	8.3	2.0	3.2
	2026F	4.3	5.4	3.2	3.2	3.4	2.2	0.1	1.6	5.0	9.8	2.7	3.7
Net D/E (x)	2023	1.1	0.8	0.9	0.2	0.7	1.0	1.4	0.4	0.4	(0.5)	(0.0)	0.6
	2024F	1.1	0.6	0.9	0.3	0.7	1.0	1.1	0.4	0.4	(0.4)	(0.1)	0.5
	2025F	1.1	0.5	0.8	0.3	0.7	0.9	1.1	0.3	0.4	(0.4)	(0.1)	0.5
	2026F	1.0	0.3	0.7	0.3	0.7	0.8	1.1	0.3	0.3	(0.5)	(0.2)	0.4

Source: Bloomberg

Note: Thanachart estimates, using normalized EPS

Valuation Comparison

Ex 37: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
			24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
Marks & Spencer	MKS LN	Britain	41.7	(0.9)	10.4	10.5	1.5	0.7	5.9	4.9	1.2	5.6
J Sainsbury PLC	SBRY LN	Britain	(4.1)	7.5	11.5	10.7	0.8	0.8	5.0	4.9	5.3	5.5
Tesco	TSCO LN	Britain	14.2	6.2	11.1	10.5	1.5	1.5	6.7	6.6	4.3	4.7
Carrefour SA	CA FP	France	18.0	18.7	8.4	7.0	0.9	0.9	4.9	4.6	5.5	5.9
Casino Guichard	CO FP	France	135.7	(120.0)	1.6	na	0.0	0.0	14.7	14.0	0.0	0.0
L'Oreal SA	OR FP	France	6.4	8.3	33.9	31.3	7.3	6.7	22.8	21.1	1.6	1.7
Alimentation Couche	ATD/B CN	Canada	(0.4)	10.5	na	na	na	na	11.4	10.5	na	na
Aeon	8267 JP	Japan	40.0	23.4	79.9	64.8	3.1	3.0	10.0	9.5	1.0	1.0
Kao Corporation	4452 JP	Japan	120.3	16.6	26.3	22.5	2.7	2.6	12.2	11.2	2.6	2.7
Lion Corporation	4912 JP	Japan	8.9	2.9	20.3	19.7	1.4	1.3	7.6	7.2	2.0	2.0
Shiseido Co. Ltd	4911 JP	Japan	40.1	146.6	66.6	27.0	2.6	2.5	14.6	11.0	1.4	1.5
Lawson	2651 JP	Japan	112.2	4.9	20.9	19.9	3.6	3.2	6.4	6.2	2.2	2.5
Seven & I Holdings	3382 JP	Japan	(15.7)	25.9	23.6	18.7	1.5	1.5	8.2	7.8	1.8	1.9
Lotte Corp	004990 KS	South Korea	na	25.5	10.3	8.2	0.4	0.4	9.2	8.9	6.4	6.9
Shinsegae	004170 KS	South Korea	13.6	15.4	5.3	4.6	0.4	0.4	6.4	6.0	2.3	2.4
Amore Pacific Group	002790 KS	South Korea	32.5	32.1	16.5	12.5	0.8	0.7	5.8	4.6	1.3	1.6
Best Buy Co Inc	BBY US	USA	(1.4)	11.9	13.5	12.1	5.5	5.6	6.7	6.3	4.6	4.8
Wal-Mart Stores	WMT US	USA	9.4	9.5	25.4	23.2	5.3	4.9	12.7	11.9	1.4	1.5
Home Depot Inc	HD US	USA	2.7	6.6	24.8	23.3	na	na	16.9	16.2	2.3	2.5
Levi Strauss & Co.	LEVI US	USA	12.0	15.5	16.4	14.2	3.7	3.3	10.5	9.4	2.8	3.0
Yonghui Superstores	601933 CH	China	135.8	na	97.5	30.8	2.5	2.2	16.5	13.8	1.1	2.0
Sa International	178 HK	Hong Kong	na	68.7	12.4	7.3	2.1	1.9	7.3	6.1	5.8	8.6
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	35.4	24.2	14.4	11.6	2.8	2.4	7.7	7.1	4.5	5.6
President Chain Store	2912 TT	Taiwan	5.4	9.1	23.9	21.9	6.8	5.9	9.1	8.5	3.6	4.0
7-Eleven Malaysia	SEM MK	Malaysia	6.1	12.9	28.4	25.2	5.3	4.7	7.3	7.0	1.8	2.1
Berli Jucker *	BJC TB	Thailand	8.0	7.0	19.4	18.1	0.8	0.8	11.0	10.6	3.6	3.9
COM7 *	COM7 TB	Thailand	1.8	22.5	15.3	12.5	5.0	4.2	10.6	8.9	3.8	4.7
CP All *	CPALL TB	Thailand	24.1	17.5	22.4	19.1	4.0	3.6	8.9	8.0	2.2	2.6
CP Aextra *	CPAXT TB *	Thailand	24.7	18.0	30.4	25.8	1.1	1.1	12.3	11.3	2.3	2.7
Central Pattana *	CPN TB	Thailand	8.0	10.3	18.9	17.1	2.8	2.6	13.2	12.1	2.9	3.1
Central Retail Corp. *	CRC TB	Thailand	12.2	11.9	23.2	20.7	2.9	2.7	8.5	8.0	1.8	1.9
Dohome *	DOHOME TB	Thailand	47.8	41.0	45.2	32.1	2.7	2.5	23.8	20.4	0.1	0.1
Siam Global House *	GLOBAL TB	Thailand	11.2	16.0	29.1	25.1	3.4	3.1	22.4	19.8	1.2	1.4
Home Product*	HMPRO TB	Thailand	10.9	10.0	19.5	17.7	5.3	4.9	11.3	10.4	4.1	4.5
MC Group *	MC TB	Thailand	13.5	18.4	14.0	11.8	2.7	2.6	7.3	6.5	6.9	8.3
Moshi Moshi Retail*	MOSHI TB *	Thailand	31.9	39.4	34.4	24.7	8.0	6.7	17.8	13.7	1.4	2.0
Average			28.3	17.0	25.0	19.5	3.0	2.7	10.9	9.9	2.8	3.3

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth, Based on 1 April 2024 closing price

STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
SET Index	0.9	(3.8)	(14.3)	(2.6)	—	—	—	—
Retail Sector	(3.5)	(4.4)	(13.7)	(4.4)	(4.4)	(0.7)	0.6	(1.8)
BJC	2.9	(1.2)	(35.4)	(1.2)	2.0	2.6	(21.2)	1.4
COM7	(4.0)	(18.9)	(36.7)	(18.9)	(4.9)	(15.1)	(22.4)	(16.3)
CPALL	(5.2)	(2.7)	(12.1)	(2.7)	(6.1)	1.1	2.2	(0.1)
CPAXT	(6.1)	14.8	(21.0)	14.8	(6.9)	18.6	(6.7)	17.4
CPN	(4.5)	(9.6)	(8.0)	(9.6)	(5.4)	(5.9)	6.3	(7.1)
CRC	(0.7)	(14.0)	(21.2)	(14.0)	(1.6)	(10.3)	(7.0)	(11.5)
DOHOME	(1.7)	(9.4)	(19.6)	(9.4)	(2.6)	(5.7)	(5.3)	(6.9)
GLOBAL	0.0	1.0	(6.1)	1.0	(0.9)	4.7	8.2	3.5
HMPRO	(2.8)	(9.4)	(26.4)	(9.4)	(3.6)	(5.6)	(12.1)	(6.8)
MC	(12.2)	(2.3)	20.6	(2.3)	(13.1)	1.5	34.8	0.3
MOSHI	(3.9)	3.3	15.2	3.3	(4.8)	7.0	29.5	5.8

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.

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 —	
	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Britain	17.3	4.3	11.0	10.6	1.3	1.0	5.9	5.4	3.6	5.3
France	53.4	(31.0)	14.6	19.2	2.7	2.5	14.1	13.2	2.4	2.6
Canada	(0.4)	10.5	na	na	na	na	11.4	10.5	na	na
Japan	50.9	36.7	39.6	28.8	2.5	2.3	9.8	8.8	1.8	2.0
South Korea	23.1	24.3	10.7	8.4	0.5	0.5	7.1	6.5	3.3	3.6
USA	5.7	10.8	20.0	18.2	4.8	4.6	11.7	10.9	2.8	3.0
China	135.8	na	97.5	30.8	2.5	2.2	16.5	13.8	1.1	2.0
Hong Kong	35.4	46.4	13.4	9.5	2.4	2.2	7.5	6.6	5.2	7.1
Taiwan	5.4	9.1	23.9	21.9	6.8	5.9	9.1	8.5	3.6	4.0
Malaysia	6.1	12.9	28.4	25.2	5.3	4.7	7.3	7.0	1.8	2.1
Thailand	17.7	19.3	24.7	20.4	3.5	3.2	13.3	11.8	2.8	3.2
Average	31.8	14.3	28.4	19.3	3.2	2.9	10.3	9.4	2.8	3.5

Source: Bloomberg Consensus

Note: *Thanachart estimates

SELL (Unchanged)

Change in Numbers

TP: Bt 22.00

(From: Bt 30.00)

2 APRIL 2024**Downside : 10.9%**

Berli Jucker Pcl (BJC TB)

No catalysts

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 vs. sector peers at a 9% three-year core EPS CAGR, we regard its current valuation as expensive.

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Cutting our earnings and TP

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. As 4Q23 results came in much weaker than we'd expected, we slash our earnings projections for BJC by 13/14/10% in 2024-26F on our lower same-store sales (SSS) growth assumptions for BIGC of 2/1/1% in 2024-26F (from 3/3/1% previously) and higher SG&A/sales ratios. Our DCF-based 12-month TP (2024F base year) is cut by 27% to Bt22 (from Bt30). We reaffirm our SELL rating on the stock as we see no growth catalysts to drive strong earnings and its share price.

Far from pre-COVID level

BJC's core profit last year recovered to only 65% of 2019's level, with Bt4.7bn in normalized profit vs. Bt7.3bn in 2019. The main reason was BIGC's weaker performance, with net profit falling from Bt6.4bn in 2019 to Bt3.7bn in 2023. BIGC's merchandise sales came to Bt101bn, 9% below the figure in 2019. Income from space rental checked in at Bt9.5bn, 18% short of 2019's number. 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 expect it to continue losing market share to other retail segments and hypermarket peer Lotus's with a low-single-digit SSS for BIGC in 1Q24F while it is a mid-to-high-single digit SSS for Lotus's Thailand.

Expansion opportunities look limited

As of 2023, BIGC operated 156 hypermarkets, 67 supermarkets, 1,567 Mini Big C branches (including stores in Cambodia), and 143 Pure drugstores. We believe the hypermarket segment in Thailand is near maturity, given the extensive store network nationwide. We believe this reflects a shift in demand away from hypermarkets to other segments, i.e., wholesale and convenience stores (CVS). We assume 2/1/1 new hypermarket stores and 3/3/2 supermarkets in 2024-26F, while we expect 118 new Mini Big Cs for 2024-26F vs. the company's guidance of 200 new Mini Big Cs this year.

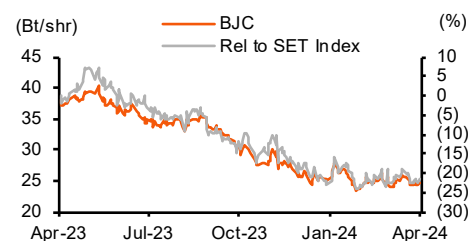
Reaffirming SELL

Due to BIGC's slow growth outlook, we estimate it to deliver a 9% three-year core EPS CAGR in 2024-26F. With the slower earnings growth outlook vs. its sector peers, BJC looks expensive in our view, trading at PE multiples of 19/18x in 2024-25F.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	154,672	161,546	167,522	173,360
Net profit	4,795	5,087	5,445	6,027
Consensus NP	—	5,426	5,925	6,359
Diff frm cons (%)	—	(6.2)	(8.1)	(5.2)
Norm profit	4,710	5,087	5,445	6,027
Prev. Norm profit	—	5,817	6,327	6,720
Chg frm prev (%)	—	(12.5)	(13.9)	(10.3)
Norm EPS (Bt)	1.2	1.3	1.4	1.5
Norm EPS grw (%)	(5.2)	8.0	7.0	10.7
Norm PE (x)	20.9	19.4	18.1	16.4
EV/EBITDA (x)	11.8	11.0	10.6	10.2
P/BV (x)	0.8	0.8	0.8	0.8
Div yield (%)	3.2	3.6	3.9	4.3
ROE (%)	4.0	4.2	4.5	4.9
Net D/E (%)	114.7	111.7	107.2	102.0

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	24.70
Market Cap (US\$ m)	2,718.1
Listed Shares (m shares)	4,007.8
Free Float (%)	25.0
Avg Daily Turnover (US\$ m)	6.0
12M Price H/L (Bt)	40.25/23.40
Sector	Commerce
Major Shareholder	TCC Corporation 45.68%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P22



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	2035F	Terminal Value
EBITDA	20,472	21,051	21,581	22,173	22,735	23,088	23,414	23,727	24,193	24,485	24,852	25,211	
Free cash flow	8,975	10,657	11,645	12,685	15,710	16,047	16,338	16,607	17,029	17,276	17,596	17,908	314,238
PV of free cash flow	8,975	9,246	9,411	9,549	11,014	10,479	9,937	9,096	8,649	8,138	7,689	7,258	127,358
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	6.9												
Terminal growth (%)	2.0												
Enterprise value	236,799												
Net debt	144,462												
Minority interest	6,230												
Equity value	86,107												
# of shares	3,991												
Equity value/share (Bt)	22.00												

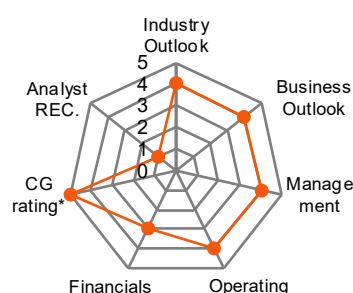
Sources: Company data, Thanachart estimates

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

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

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
Target price (Bt)	31.04	22.00	-29%
Net profit 24F (Bt m)	5,426	5,087	-6%
Net profit 25F (Bt m)	5,925	5,445	-8%
Consensus REC	BUY: 13	HOLD: 3	SELL: 2

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profit estimates are 6-8% below the Bloomberg consensus numbers, likely due to us having lower store expansion numbers and higher SG&A assumptions.
- Our DCF-based TP is, therefore, 29% lower than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

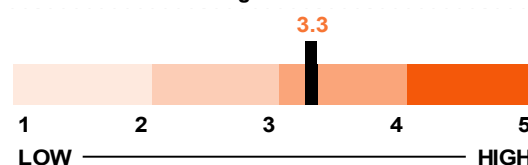
RISKS TO OUR INVESTMENT CASE

- 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



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
BJC	-	AA	YES	AA	55.01	61.07	92.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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 a 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 corporatewide whistleblower program, amongst various other reporting channels, and an independent 24/7 reporting hotline available in local languages.

Source: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	150,338	154,672	161,546	167,522	173,360
Cost of sales	122,707	124,628	129,892	134,684	139,359
Gross profit	27,631	30,043	31,654	32,838	34,001
% gross margin	18.4%	19.4%	19.6%	19.6%	19.6%
Selling & administration expenses	29,891	31,650	33,028	34,326	35,593
Operating profit	10,933	11,624	11,990	12,340	12,704
% operating margin	7.3%	7.5%	7.4%	7.4%	7.3%
Depreciation & amortization	9,009	8,984	10,033	10,229	10,363
EBITDA	19,942	20,608	22,023	22,570	23,068
% EBITDA margin	13.3%	13.3%	13.6%	13.5%	13.3%
Non-operating income	13,222	13,273	13,413	13,880	14,356
Non-operating expenses	0	0	0	0	0
Interest expense	(4,752)	(5,338)	(5,138)	(4,852)	(4,562)
Pre-tax profit	6,210	6,329	6,901	7,541	8,202
Income tax	435	503	690	980	1,066
After-tax profit	5,775	5,826	6,211	6,560	7,136
% net margin	3.8%	3.8%	3.8%	3.9%	4.1%
Shares in affiliates' Earnings	(15)	(200)	(180)	(162)	(145)
Minority interests	(790)	(917)	(944)	(954)	(963)
Extraordinary items	41	85	0	0	0
NET PROFIT	5,010	4,795	5,087	5,445	6,027
Normalized profit	4,969	4,710	5,087	5,445	6,027
EPS (Bt)	1.3	1.2	1.3	1.4	1.5
Normalized EPS (Bt)	1.2	1.2	1.3	1.4	1.5

*Slow EPS growth***BALANCE SHEET**

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	48,126	47,416	50,637	53,491	55,422
Cash & cash equivalent	4,162	4,857	4,578	5,730	6,000
Account receivables	18,574	17,061	19,917	20,653	21,373
Inventories	24,388	22,338	23,131	23,985	24,817
Others	1,002	3,160	3,011	3,122	3,231
Investments & loans	3,001	2,774	2,774	2,774	2,774
Net fixed assets	61,010	62,854	63,028	62,508	61,354
Other assets	223,908	225,926	225,229	224,920	224,188
Total assets	336,045	338,970	341,669	343,693	343,737
LIABILITIES:					
Current liabilities:	62,468	71,445	79,161	80,158	80,318
Account payables	33,506	32,880	35,231	36,531	37,799
Bank overdraft & ST loans	2,038	5,904	14,812	14,649	14,293
Current LT debt	25,065	29,898	26,661	26,368	25,727
Others current liabilities	1,860	2,763	2,458	2,610	2,500
Total LT debt	122,268	113,517	106,644	105,473	102,908
Others LT liabilities	27,159	28,113	27,330	26,816	26,290
Total liabilities	211,896	213,074	213,135	212,447	209,516
Minority interest	5,857	6,230	7,175	8,128	9,092
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	193	193	193	193	193
Surplus	(77)	(361)	(361)	(361)	(361)
Retained earnings	28,241	29,898	31,608	33,367	35,379
Shareholders' equity	118,291	119,665	121,359	123,118	125,129
Liabilities & equity	336,045	338,970	341,669	343,693	343,737

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	6,210	6,329	6,901	7,541	8,202
Tax paid	(475)	(360)	(733)	(926)	(1,064)
Depreciation & amortization	9,009	8,984	10,033	10,229	10,363
Chg In working capital	(1,346)	2,937	(1,298)	(290)	(284)
Chg In other CA & CL / minorities	(1,154)	(2,368)	(840)	(175)	(366)
Cash flow from operations	12,243	15,522	14,063	16,379	16,850
Capex	(7,676)	(10,683)	(9,000)	(8,500)	(8,000)
Right of use	(2,726)	(1,298)	(65)	(3)	(3)
ST loans & investments	(38)	(239)	277	0	0
LT loans & investments	(174)	227	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	3,764	553	(957)	(1,412)	(999)
Cash flow from investments	(6,850)	(11,439)	(9,745)	(9,915)	(9,002)
Debt financing	(3,041)	33	(1,203)	(1,626)	(3,563)
Capital increase	0	0	(16)	0	0
Dividends paid	(2,645)	(3,206)	(3,377)	(3,686)	(4,015)
Warrants & other surplus	51	(215)	0	0	0
Cash flow from financing	(5,635)	(3,388)	(4,596)	(5,312)	(7,578)
Free cash flow	4,567	4,839	5,063	7,879	8,850

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	19.8	20.9	19.4	18.1	16.4
Normalized PE - at target price (x)	17.7	18.6	17.3	16.1	14.6
PE (x)	19.7	20.6	19.4	18.1	16.4
PE - at target price (x)	17.5	18.3	17.3	16.1	14.6
EV/EBITDA (x)	12.2	11.8	11.0	10.6	10.2
EV/EBITDA - at target price (x)	11.7	11.3	10.5	10.1	9.7
P/BV (x)	0.8	0.8	0.8	0.8	0.8
P/BV - at target price (x)	0.7	0.7	0.7	0.7	0.7
P/CFO (x)	8.1	6.4	7.0	6.0	5.9
Price/sales (x)	0.7	0.6	0.6	0.6	0.6
Dividend yield (%)	2.6	3.2	3.6	3.9	4.3
FCF Yield (%)	4.6	4.9	5.1	8.0	9.0
(Bt)					
Normalized EPS	1.2	1.2	1.3	1.4	1.5
EPS	1.3	1.2	1.3	1.4	1.5
DPS	0.7	0.8	0.9	1.0	1.1
BV/share	29.6	30.0	30.4	30.8	31.4
CFO/share	3.1	3.9	3.5	4.1	4.2
FCF/share	1.1	1.2	1.3	2.0	2.2

Sources: Company data, Thanachart estimates

Expensive PE compared to its growth outlook, in our view

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	8.6	2.9	4.4	3.7	3.5
Net profit (%)	39.8	(4.3)	6.1	7.0	10.7
EPS (%)	39.8	(4.3)	6.1	7.0	10.7
Normalized profit (%)	45.0	(5.2)	8.0	7.0	10.7
Normalized EPS (%)	45.0	(5.2)	8.0	7.0	10.7
Dividend payout ratio (%)	51.8	66.6	70.0	70.0	70.0
Operating performance					
Gross margin (%)	18.4	19.4	19.6	19.6	19.6
Operating margin (%)	7.3	7.5	7.4	7.4	7.3
EBITDA margin (%)	13.3	13.3	13.6	13.5	13.3
Net margin (%)	3.8	3.8	3.8	3.9	4.1
D/E (incl. minor) (x)	1.2	1.2	1.2	1.1	1.1
Net D/E (incl. minor) (x)	1.2	1.1	1.1	1.1	1.0
Interest coverage - EBIT (x)	2.3	2.2	2.3	2.5	2.8
Interest coverage - EBITDA (x)	4.2	3.9	4.3	4.7	5.1
ROA - using norm profit (%)	1.5	1.4	1.5	1.6	1.8
ROE - using norm profit (%)	4.2	4.0	4.2	4.5	4.9
DuPont					
ROE - using after tax profit (%)	4.9	4.9	5.2	5.4	5.7
- asset turnover (x)	0.5	0.5	0.5	0.5	0.5
- operating margin (%)	7.3	7.5	7.5	7.4	7.4
- leverage (x)	2.8	2.8	2.8	2.8	2.8
- interest burden (%)	56.6	54.2	57.3	60.8	64.3
- tax burden (%)	93.0	92.1	90.0	87.0	87.0
WACC (%)	6.9	6.9	6.9	7.4	7.4
ROIC (%)	3.9	4.1	4.1	4.1	4.2
NOPAT (Bt m)	10,167	10,700	10,791	10,736	11,053
invested capital (Bt m)	263,501	264,127	264,897	263,878	262,057

Sources: Company data, Thanachart estimates

BUY (Unchanged)**TP: Bt 26.00**

(Unchanged)

Company Update

Upside: 34.7%**2 APRIL 2024****COM7 Pcl.** (COM7 TB)**Bottoming out**

While mobile phone and IT demand is stabilizing after two years of contraction, COM7 is spending less on sales promotions and continuing to gain market share. We now expect its 1Q24F earnings to start recovering from the bottom in 4Q23. We reiterate BUY.

**PATTADOL BUNNAK**

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Bottoming out; reiterating BUY

This report is a part of *Retail Sector – A new expansion model*, dated 2 April, 2024. We reiterate our BUY call on COM7 with an unchanged DCF-based TP (2024F base year) of Bt26/share. *First*, we expect an earnings recovery in 1Q24F to Bt740m from a bottom of Bt670m in 4Q23 when heavy sales promotions ate up margins. Although that is still below the high base of Bt880m in 1Q23, we expect the market to be comforted by the q-q turnaround. *Second*, COM7 continues to gain market share with an estimated 8-10% y-y sales growth in 1Q24. We believe demand was relatively flat during the quarter. *Third*, we like COM7's continued aggressive expansion while competitors are in a weaker position amid the industry downturn. It has reduced the size of new standalone shops to shorten the payback period. *Fourth*, COM7 remains a high-profitability firm with a 35% ROE in 2024F. *Lastly*, with its share price falling by 45% from last year's peak, COM7 looks cheap to us, trading on 15x PE vs. 2/22/15% EPS growth.

Stabilizing demand

Thailand's IT demand, including for mobile phones, dropped 5/12% in 2022-23 after extra demand during the COVID years in 2020-21. We expect the demand to stabilize this year at 2% growth with still some contraction in 1H24F. After two years of contraction, we expect a replacement cycle to materialize with a new driver of more advanced AI technology in new product models. We estimate 2/5/4% growth in 2024-26F.

Fewer promotions, continued expansion

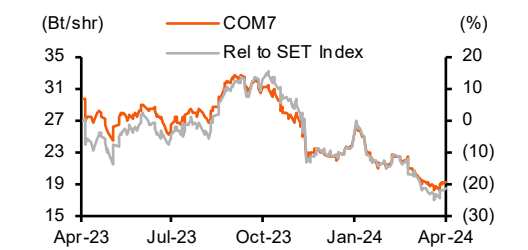
COM7 plans to reduce promotional spending this year while it continues its aggressive store openings during a period when its competitors are holding back on expansion. COM7 believes it can open about 200 new stores this year, a 15% increase from 1,356 stores in 2023. It plans to reduce the size of its new standalone format to shorten the payback period to three years (from five). Looking at the next few years, COM7 still sees room for a similar rate of expansion with standalone stores of around 100 p.a. and stores in malls at around 70-80 p.a.

Still a strong leader

Despite the earnings base setback with a 2% contraction in 2023 due to the industry's demand contraction, COM7 remains a strong leader in the mobile phone and IT trade industry, in our view. We estimate its ROE at 35% this year with EBITDA of Bt4.9bn and rising. Capex for its aggressive expansion is Bt650-700m in 2024-25F, and its net D/E ratio is 0.8x. With fewer sales promotions, we project its EBIT margin to improve from a low of 5.3% in 2023 to 5.3/5.7/5.9% in 2024-26F.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	69,559	76,319	85,333	93,773
Net profit	2,857	3,027	3,708	4,273
Consensus NP	—	3,196	3,519	3,949
Diff frm cons (%)	—	(5.3)	5.4	8.2
Norm profit	2,974	3,027	3,708	4,273
Prev. Norm profit	—	3,017	3,720	4,242
Chg frm prev (%)	—	0.3	(0.3)	0.7
Norm EPS (Bt)	1.2	1.3	1.5	1.8
Norm EPS grw (%)	(2.2)	1.8	22.5	15.2
Norm PE (x)	15.6	15.3	12.5	10.8
EV/EBITDA (x)	11.4	10.6	8.9	7.7
P/BV (x)	5.8	5.0	4.2	3.6
Div yield (%)	3.6	3.8	4.7	5.4
ROE (%)	39.1	34.8	36.3	35.5
Net D/E (%)	80.7	57.5	46.4	32.5

PRICE PERFORMANCE**COMPANY INFORMATION**

Price as of 1-Apr-24 (Bt)	19.30
Market Cap (US\$ m)	1,271.8
Listed Shares (m shares)	2,400.0
Free Float (%)	47.4
Avg Daily Turnover (US\$ m)	10.9
12M Price H/L (Bt)	32.75/18.10
Sector	Commerce
Major Shareholder	Khun Sura Kanittavikul 25.05%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P30

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	4,485	5,363	6,105	7,002	7,846	8,622	9,316	9,734	10,166	10,613	10,880	—
Free cash flow	2,136	2,975	3,687	4,229	5,048	5,587	6,185	6,720	7,012	7,315	7,632	104,381
PV of free cash flow	2,136	2,493	2,828	2,970	3,244	3,287	3,331	3,221	3,065	2,917	2,776	34,638
Risk-free rate (%)	3.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	9.6											
Terminal growth (%)	2.0											
Enterprise value - add investments	69,497											
Net debt (2023)	6,609											
Minority interest	141											
Equity value	62,747											
# of shares	2,400											
Target price/share (Bt)	26											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 2: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div yield	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Marks & Spencer Group	MKS LN	UK	27.9	8.1	11.5	10.6	1.7	1.5	5.9	5.7	1.1	2.5
J Sainsbury	SBRY LN	UK	(6.2)	7.4	12.7	11.8	0.9	0.8	5.0	4.9	4.8	5.0
Tesco	TSCO LN	UK	10.7	6.4	12.3	11.5	1.7	1.6	6.7	6.6	3.9	4.3
Carrefour SA	CA FP	France	4.0	18.7	8.4	7.1	0.9	0.9	4.9	4.6	5.5	5.9
Aeon	8267 JP	Japan	76.1	23.4	79.9	64.8	3.1	3.0	10.0	9.5	1.0	1.0
Lotte Shopping	023530 KS	S. Korea	10.4	36.3	10.5	7.7	0.2	0.2	8.6	8.2	5.2	5.5
Shinsegae	004170 KS	S. Korea	54.8	15.4	5.3	4.6	0.4	0.4	6.4	6.0	2.3	2.4
Amore Pacific Group	002790 KS	S. Korea	na	32.1	16.5	12.5	0.8	0.7	5.8	4.6	1.3	1.6
Wal-Mart Stores	WMT US	USA	6.8	9.4	25.4	23.2	5.3	4.9	12.7	11.9	1.4	1.5
Home Depot Inc	HD US	USA	2.4	6.6	24.8	23.2	na	na	16.9	16.2	2.4	2.5
Berli Jucker *	BJC TB	Thailand	23.5	8.8	16.9	15.6	0.8	0.8	10.8	9.9	4.1	4.5
COM7 *	COM7 TB	Thailand	1.8	22.5	15.3	12.5	5.0	4.2	10.6	8.9	3.8	4.7
CP All*	CPALL TB	Thailand	20.4	18.1	23.1	19.6	4.0	3.6	9.6	8.6	2.2	2.6
CP Axtra *	CPAXT TB	Thailand	19.4	17.0	31.8	27.2	1.1	1.1	11.6	10.3	2.4	2.8
Central Pattana *	CPN TB	Thailand	8.0	10.3	18.9	17.1	2.8	2.6	13.2	12.1	2.9	3.1
Central Retail Corp. *	CRC TB	Thailand	5.5	13.1	24.7	21.8	3.0	2.7	8.5	7.9	1.6	1.8
Dohome Pcl *	DOHOME TB	Thailand	38.1	28.2	46.2	36.0	2.6	2.4	23.0	20.5	0.0	0.1
Siam Global House *	GLOBAL TB	Thailand	11.0	15.0	28.1	24.4	3.3	3.0	21.5	19.1	1.2	1.4
Home Product*	HMPRO TB	Thailand	10.9	10.0	19.5	17.7	5.3	4.9	11.3	10.4	4.1	4.5
Average			17.5	16.1	22.7	19.4	2.4	2.2	10.7	9.8	2.7	3.0

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

Based on 1 April 2024 closing prices

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

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

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
Target price (Bt)	23.66	26.00	10%
Net profit 24F (Bt m)	3,196	3,027	-5%
Net profit 25F (Bt m)	3,519	3,708	5%
Consensus REC	BUY: 7	HOLD: 5	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is higher than the Bloomberg consensus number, which we attribute to us having a more aggressive view of the IT industry's outlook and COM7's market share gains.

RISKS TO OUR INVESTMENT CASE

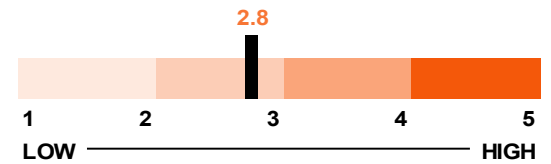
- Greater competition in the existing retail business would be the key downside risk to our call.
- A worse-than-expected economy and lower IT-related demand would represent secondary downside risks.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

COM7 is Thailand's largest retailer of consumer IT products. Given the nature of its business, COM7 doesn't generate much greenhouse gas or waste. However, our ESG score for COM7 is moderate at 2.8, reflecting low emissions but still unclear targets for ESG reduction plans.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
COM7	YES	A	-	-	50.14	51.49	26.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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>ENVIRONMENT</p> <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> COM7 is the largest retailer of IT products in Thailand. The nature of its business doesn't create much greenhouse gas (GSG) emissions or waste from its production process. COM7 has identified key environmental areas it plans to improve in, but it still hasn't set out big-picture targets for overall environmental issues. The company has geared itself toward the use of solar power products to increase renewable electricity usage. COM7's office buildings also follow the Green Building design. COM7 has implemented campaigns for employees to conserve water, and its water usage has started to fall. COM7 is using more paper bags for its customers.
<p>SOCIAL</p> <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> COM7 has a well-balanced work force with around 50% being female and the rest being male. COM7 has well-defined employee training programs. The company's employee turnover ratio has also fallen over the years. COM7 tries to boost employee morale by periodically giving rewards to those who have been identified as conducting good deeds. COM7 provides IT products such as computers and tablets for study for those in need, e.g., students in underdeveloped areas.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> COM7 has a seven-member board of directors (BOD) which we consider appropriate for the company's size and the scope of its business. Of the seven members, there are two independent directors. Also, there are only two women directors. Although it only offers IT products, COM7's products are highly diversified in terms of function, e.g., computers, tablets, smartphones, and other lifestyle gadgets. COM7 has been diversifying into the pharmaceutical, home appliance, motorcycle financing, and debt-management businesses. The company has yet to reveal a succession plan.

Source: Thanachart

INCOME STATEMENT

*Strong sales growth
despite the weak industry*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	62,733	69,559	76,319	85,333	93,773
Cost of sales	54,298	60,354	66,362	74,201	81,414
Gross profit	8,435	9,205	9,958	11,133	12,359
% gross margin	13.4%	13.2%	13.0%	13.0%	13.2%
Selling & administration expenses	4,600	5,484	5,911	6,296	6,862
Operating profit	3,835	3,721	4,047	4,837	5,497
% operating margin	6.1%	5.3%	5.3%	5.7%	5.9%
Depreciation & amortization	796	908	853	967	1,074
EBITDA	4,631	4,629	4,900	5,804	6,570
% EBITDA margin	7.4%	6.7%	6.4%	6.8%	7.0%
Non-operating income	58	82	77	77	77
Non-operating expenses	0	0	(150)	(168)	(184)
Interest expense	(103)	(232)	(283)	(242)	(209)
Pre-tax profit	3,790	3,571	3,690	4,504	5,180
Income tax	769	588	607	741	852
After-tax profit	3,021	2,984	3,083	3,763	4,328
% net margin	4.8%	4.3%	4.0%	4.4%	4.6%
Shares in affiliates' Earnings	45	67	20	20	21
Minority interests	(26)	(77)	(76)	(76)	(76)
Extraordinary items	(2)	(117)	0	0	0
NET PROFIT	3,038	2,857	3,027	3,708	4,273
Normalized profit	3,040	2,974	3,027	3,708	4,273
EPS (Bt)	1.3	1.2	1.3	1.5	1.8
Normalized EPS (Bt)	1.3	1.2	1.3	1.5	1.8

*Earnings growth to
resume in 2H24F*

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	12,655	16,443	16,038	17,582	18,955
Cash & cash equivalent	1,636	2,229	1,025	1,025	1,025
Account receivables	3,009	3,472	3,809	4,259	4,680
Inventories	7,333	9,922	10,910	11,995	12,938
Others	678	820	294	303	312
Investments & loans	1,517	1,665	1,812	1,959	2,107
Net fixed assets	873	1,392	1,674	1,819	1,832
Other assets	3,410	3,477	3,401	3,379	3,312
Total assets	18,456	22,976	22,925	24,739	26,206
LIABILITIES:					
Current liabilities:	10,463	14,076	12,783	12,847	12,322
Account payables	4,203	4,916	5,406	6,146	6,743
Bank overdraft & ST loans	5,204	8,437	6,223	5,978	5,105
Current LT debt	0	0	0	0	0
Others current liabilities	1,056	723	1,154	724	473
Total LT debt	462	401	296	284	243
Others LT liabilities	280	311	285	319	351
Total liabilities	11,204	14,789	13,364	13,451	12,915
Minority interest	97	141	217	217	293
Preferreds shares	0	0	0	0	0
Paid-up capital	600	600	600	600	600
Share premium	899	899	899	899	899
Warrants	0	0	0	0	0
Surplus	621	836	836	836	836
Retained earnings	5,034	5,712	7,009	8,737	10,663
Shareholders' equity	7,154	8,047	9,344	11,071	12,998
Liabilities & equity	18,456	22,976	22,925	24,739	26,206

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	3,790	3,571	3,690	4,504	5,180
Tax paid	(491)	(1,037)	(315)	(850)	(736)
Depreciation & amortization	796	908	853	967	1,074
Chg In working capital	(2,251)	(2,338)	(836)	(795)	(767)
Chg In other CA & CL / minorities	111	91	151	(386)	(355)
Cash flow from operations	1,954	1,196	3,543	3,440	4,396
Capex	(479)	(815)	(700)	(650)	(600)
Right of use	(322)	(662)	(100)	(100)	(100)
ST loans & investments	270	(35)	534	0	0
LT loans & investments	(743)	(147)	(147)	(147)	(147)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(911)	(150)	(285)	(306)	(288)
Cash flow from investments	(2,186)	(1,810)	(698)	(1,203)	(1,136)
Debt financing	1,185	3,173	(2,319)	(257)	(914)
Capital increase	300	0	0	0	0
Dividends paid	(1,200)	(1,788)	(1,730)	(1,980)	(2,346)
Warrants & other surplus	(268)	(176)	0	0	0
Cash flow from financing	17	1,208	(4,049)	(2,237)	(3,260)
Free cash flow	1,474	381	2,843	2,790	3,796

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	15.2	15.6	15.3	12.5	10.8
Normalized PE - at target price (x)	20.5	21.0	20.6	16.8	14.6
PE (x)	15.2	16.2	15.3	12.5	10.8
PE - at target price (x)	20.5	21.8	20.6	16.8	14.6
EV/EBITDA (x)	10.9	11.4	10.6	8.9	7.7
EV/EBITDA - at target price (x)	14.3	14.9	13.9	11.7	10.2
P/BV (x)	6.5	5.8	5.0	4.2	3.6
P/BV - at target price (x)	8.7	7.8	6.7	5.6	4.8
P/CFO (x)	23.7	38.7	13.1	13.5	10.5
Price/sales (x)	0.7	0.7	0.6	0.5	0.5
Dividend yield (%)	3.9	3.6	3.8	4.7	5.4
FCF Yield (%)	3.2	0.8	6.1	6.0	8.2
(Bt)					
Normalized EPS	1.3	1.2	1.3	1.5	1.8
EPS	1.3	1.2	1.3	1.5	1.8
DPS	0.8	0.7	0.7	0.9	1.0
BV/share	3.0	3.4	3.9	4.6	5.4
CFO/share	0.8	0.5	1.5	1.4	1.8
FCF/share	0.6	0.2	1.2	1.2	1.6

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	22.7	10.9	9.7	11.8	9.9
Net profit (%)	15.5	(5.9)	5.9	22.5	15.2
EPS (%)	15.5	(5.9)	5.9	22.5	15.2
Normalized profit (%)	13.9	(2.2)	1.8	22.5	15.2
Normalized EPS (%)	13.9	(2.2)	1.8	22.5	15.2
Dividend payout ratio (%)	59.3	58.8	58.8	58.8	58.8
Operating performance					
Gross margin (%)	13.4	13.2	13.0	13.0	13.2
Operating margin (%)	6.1	5.3	5.3	5.7	5.9
EBITDA margin (%)	7.4	6.7	6.4	6.8	7.0
Net margin (%)	4.8	4.3	4.0	4.4	4.6
D/E (incl. minor) (x)	0.8	1.1	0.7	0.6	0.4
Net D/E (incl. minor) (x)	0.6	0.8	0.6	0.5	0.3
Interest coverage - EBIT (x)	37.2	16.0	14.3	20.0	26.3
Interest coverage - EBITDA (x)	45.0	19.9	17.3	24.0	31.4
ROA - using norm profit (%)	17.7	14.4	13.2	15.6	16.8
ROE - using norm profit (%)	48.9	39.1	34.8	36.3	35.5
DuPont					
ROE - using after tax profit (%)	48.6	39.3	35.5	36.9	36.0
- asset turnover (x)	3.6	3.4	3.3	3.6	3.7
- operating margin (%)	6.2	5.5	5.2	5.6	5.7
- leverage (x)	2.8	2.7	2.6	2.3	2.1
- interest burden (%)	97.4	93.9	92.9	94.9	96.1
- tax burden (%)	79.7	83.5	83.5	83.5	83.5
WACC (%)	8.9	8.9	8.9	9.2	9.2
ROIC (%)	38.6	27.8	23.1	27.2	28.2
NOPAT (Bt m)	3,057	3,109	3,381	4,041	4,593
invested capital (Bt m)	11,184	14,656	14,838	16,308	17,321

Sources: Company data, Thanachart estimates

BUY (Unchanged)

Change in Numbers

TP: Bt 70.00 (From: Bt 69.00)

Upside : 28.4%

2 APRIL 2024

CP ALL Public Co Ltd (CPALL TB)

Strong on both wheels

CPALL's strong growth prospects look more secure with its 7-Eleven CVS business's larger store sizes and rising product margin, while CPAXT is gaining more share in the wholesale and hypermarket segments. **BUY** as a 21% three-year EPS CAGR big-cap stock.



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Reaffirming BUY as a top sector pick

This report is a part of *Retail Sector – A new expansion model*, dated 2 April, 2024. We reaffirm our BUY call on CPALL. **First**, we raise our earnings for CPALL by 1-3% in 2024-26F on lower-than-expected 7-Eleven SG&A costs in 2023. Our DCF-based 12-month TP (2024F base year) rises by 1.4% to Bt70. **Second**, CPALL is a big-cap stock with a 21% three-year EPS CAGR. Both its CVS and wholesale and retail stores under 59.92%-owned CP Aextra Pcl (CPAXT TB, Bt31.00, HOLD) are growing. We expect CPAXT to deliver a 20% three-year EPS CAGR from wholesale store expansion and Lotus's turnaround. **Third**, we see its 22x 2024F PE against 21% p.a. EPS growth as inexpensive.

More 7-Eleven standalone store openings

In 2023, 7-Eleven sales grew by 13% y-y. The reason why the growth was above its 5.5% same-store sales growth (SSSG) and 5% store expansion was because its average store size was also larger. CPALL has opened more standalone stores with parking space (80% of new stores). Standalone stores have larger store sizes, growing from a typical one to two shophouses to four shophouses. The standalone format accommodates more product SKUs, bringing in more customers and supporting SSSG. We estimate 1Q24F SSS at 3.6%.

CPAXT's 20% EPS CAGR in 2024-26F

Though we rate CPAXT as a HOLD for its high PE, it has a strong market position as a leader in B2B/B2C grocery retailing with a robust 20% three-year CAGR driven by 1) the opening of eight wholesale branches p.a. and 2) Lotus's earnings turnaround from Bt2.6bn in 2023 to Bt5.8bn in 2026F from its branch expansion in Thailand and Malaysia and rental income growth of 10-11% p.a. backed by mall extension program and new stores. In 1Q24F, we expect both Makro wholesale (4-5% SSS in 1Q24F) and Lotus's Thailand (mid-to-high single-digit SSS) and Malaysia (high single-digit SSS) to gain further sales share in grocery wholesale and retail from strong fresh food sales and rising online sales.

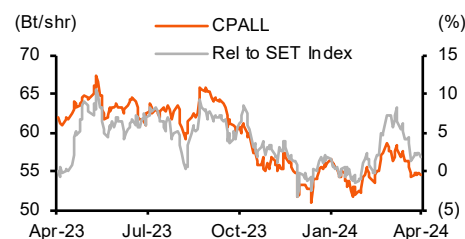
CPAXT's amalgamation not a threat to CPALL

Referring to the amalgamation between CPAXT and its 99.99%-held indirect subsidiary, Ek-Chai Distribution System Co Ltd, which owns Lotus's Thailand, there had been concern about CPALL being a share purchaser from CPAXT's dissenting shareholders who voted against the amalgamation deal. This is no longer a threat to CPALL as it has to make a purchase offer for only up to 461,014 CPAXT shares (0.004%) at Bt31.25 or a maximum of Bt14.4m. So the concern over a rising interest burden has now been relieved. After the transaction scheduled for 4Q24, CPALL's stake in CPAXT would be relatively unchanged at 59.92% (it can go up to a maximum of 59.924%).

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	920,373	1,002,835	1,072,029	1,140,397
Net profit	18,482	22,295	26,125	31,553
Consensus NP	—	21,195	24,502	27,858
Diff frm cons (%)	—	5.2	6.6	13.3
Norm profit	18,374	22,295	26,125	31,553
Prev. Norm profit	—	21,650	25,485	31,113
Chg frm prev (%)	—	3.0	2.5	1.4
Norm EPS (Bt)	2.0	2.4	2.9	3.5
Norm EPS grw (%)	43.3	24.1	17.5	21.2
Norm PE (x)	27.8	22.4	19.1	15.7
EV/EBITDA (x)	10.1	8.9	8.0	7.1
P/BV (x)	4.4	4.0	3.6	3.2
Div yield (%)	1.8	2.2	2.6	3.2
ROE (%)	17.4	19.1	20.1	21.7
Net D/E (%)	86.2	85.3	77.0	66.5

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	54.50
Market Cap (US\$ m)	13,442.6
Listed Shares (m shares)	8,983.1
Free Float (%)	59.0
Avg Daily Turnover (US\$ m)	37.7
12M Price H/L (Bt)	67.25/51.00
Sector	Commerce
Major Shareholder	C.P. Merchandising 31.93%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P37



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	2035F	Terminal Value
EBITDA	68,838	74,854	82,521	90,142	98,896	106,712	116,418	126,718	136,128	147,069	159,456	172,092	
Free cash flow	27,776	35,421	43,369	51,802	58,860	66,740	74,874	83,495	91,114	105,144	115,493	133,675	1,832,955
PV of free cash flow	27,776	29,830	33,517	36,740	38,301	39,854	41,031	40,568	40,442	42,644	42,801	45,267	620,705
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	8.5												
Terminal growth (%)	2.0												
Enterprise value - add investments	1,079,476												
Net debt (end-2023A)	260,029												
Minority interest	190,600												
Equity value	628,848												
# of shares (m)	8,983												
Equity value/share (Bt)	70.00												

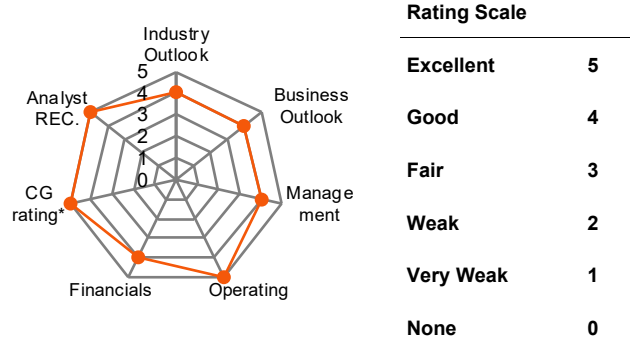
Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

C.P. All Pcl (CPALL) is a Thailand-based company that operates convenience stores (CVS) under the 7-Eleven trademark and owns a 59.92% stake in the cash-and-carry operator CP Aextra 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

- CPAXT's rising food wholesale competition from a new player, GO Wholesale.
- Risk of natural disasters.
- Risk of theft.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	73.17	70.00	-4%
Net profit 24F (Bt m)	21,195	22,295	5%
Net profit 25F (Bt m)	24,502	26,125	7%
Consensus REC	BUY: 27	HOLD: 2	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F profits are 5-7% above the Bloomberg consensus estimates, which we think is due to our higher 7-Eleven sales forecasts from more standalone store openings.
- However, our DCF-based TP is 4% below the Street's.

Sources: Bloomberg consensus, Thanachart estimates

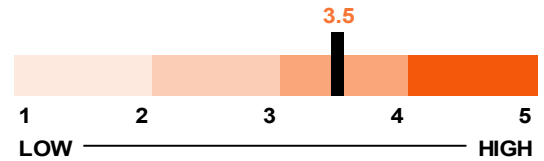
RISKS TO OUR INVESTMENT CASE

- 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 160 wholesale cash & carry stores in Thailand, 2,454 Lotus's stores in Thailand, and 68 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 targets in many areas.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CPALL	YES	AAA	YES	A	50.06	56.69	83.00	34.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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 by 2030 are carbon neutrality, a 25% reduction in total energy consumption compared to its 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 0.12m tonnes 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.

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 of health & nutrition products and services at 25% by 2030.

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 the 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

*We estimate a combined
Bt1tr in sales this year*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	852,322	920,373	1,002,835	1,072,029	1,140,397
Cost of sales	651,100	699,010	761,658	812,594	862,458
Gross profit	201,222	221,363	241,177	259,434	277,938
% gross margin	23.6%	24.1%	24.0%	24.2%	24.4%
Selling & administration expenses	165,414	179,416	194,006	207,006	218,012
Operating profit	35,808	41,947	47,171	52,429	59,927
% operating margin	4.2%	4.6%	4.7%	4.9%	5.3%
Depreciation & amortization	32,681	32,478	38,535	40,841	42,762
EBITDA	68,489	74,425	85,706	93,270	102,689
% EBITDA margin	8.0%	8.1%	8.5%	8.7%	9.0%
Non-operating income	284	468	423	432	524
Non-operating expenses	0	0	0	0	0
Interest expense	(16,832)	(16,558)	(16,066)	(15,734)	(15,680)
Pre-tax profit	19,260	25,857	31,528	37,127	44,771
Income tax	3,861	4,701	5,675	6,683	8,059
After-tax profit	15,399	21,156	25,853	30,444	36,712
% net margin	1.8%	2.3%	2.6%	2.8%	3.2%
Shares in affiliates' Earnings	831	746	761	776	792
Minority interests	(2,949)	(3,529)	(4,319)	(5,096)	(5,951)
Extraordinary items	(9)	108	0	0	0
NET PROFIT	13,272	18,482	22,295	26,125	31,553
Normalized profit	13,281	18,374	22,295	26,125	31,553
EPS (Bt)	1.4	2.0	2.4	2.9	3.5
Normalized EPS (Bt)	1.4	2.0	2.4	2.9	3.5

*We project EPS growth at
a 21% CAGR over 2024-
26F*

BALANCE SHEET

*Higher debt burden from
investment in Lotus's in
late 2020*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	148,955	143,798	140,376	157,284	179,690
Cash & cash equivalent	71,891	67,317	58,682	70,082	87,082
Account receivables	3,620	3,326	4,121	4,406	4,687
Inventories	58,183	57,501	60,515	64,562	68,524
Others	15,261	15,654	17,057	18,234	19,397
Investments & loans	15,955	16,766	16,766	16,766	16,766
Net fixed assets	213,410	213,792	220,442	226,584	230,502
Other assets	545,741	552,136	555,767	557,986	558,508
Total assets	924,061	926,491	933,351	958,621	985,466
LIABILITIES:					
Current liabilities:	207,443	238,197	222,183	226,713	233,129
Account payables	115,963	128,096	131,464	138,030	144,137
Bank overdraft & ST loans	16,810	9,472	9,901	9,894	9,795
Current LT debt	25,948	52,710	32,012	31,989	31,669
Others current liabilities	48,722	47,919	48,807	46,800	47,529
Total LT debt	309,061	265,163	288,106	287,905	285,021
Others LT liabilities	117,257	121,536	105,116	106,942	107,171
Total liabilities	633,760	624,896	615,405	621,559	625,321
Minority interest	189,577	190,600	194,919	200,014	205,965
Preferred 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	9,739	8,922	8,922	8,922	8,922
Retained earnings	80,318	91,406	103,438	117,458	134,592
Shareholders' equity	100,724	110,995	123,028	137,047	154,181
Liabilities & equity	924,061	926,491	933,351	958,621	985,466

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	19,260	25,857	31,528	37,127	44,771
Tax paid	(3,987)	(4,236)	(5,725)	(6,463)	(7,998)
Depreciation & amortization	32,681	32,478	38,535	40,841	42,762
Chg In working capital	1,172	13,109	(441)	2,234	1,864
Chg In other CA & CL / minorities	(2,180)	(6,049)	(549)	(3,197)	(272)
Cash flow from operations	46,945	61,159	63,348	70,541	81,128
Capex	(21,521)	(20,185)	(32,130)	(32,230)	(30,230)
Right of use	(18,016)	(16,972)	(16,972)	(16,972)	(16,972)
ST loans & investments	0	0	0	0	0
LT loans & investments	(1,120)	(811)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	7,077	4,573	(15,290)	2,396	798
Cash flow from investments	(33,579)	(33,395)	(64,392)	(46,806)	(46,404)
Debt financing	(21,927)	(24,127)	2,673	(231)	(3,304)
Capital increase	0	0	0	0	0
Dividends paid	(5,390)	6,737	(10,263)	(12,105)	(14,419)
Warrants & other surplus	(11,292)	(14,948)	0	0	0
Cash flow from financing	(38,609)	(32,338)	(7,590)	(12,336)	(17,723)
Free cash flow	25,424	40,974	31,218	38,311	50,898

Business is generating strong free cash flows

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	39.9	27.8	22.4	19.1	15.7
Normalized PE - at target price (x)	51.2	35.7	28.8	24.5	20.2
PE (x)	39.9	27.7	22.4	19.1	15.7
PE - at target price (x)	51.3	35.5	28.8	24.5	20.2
EV/EBITDA (x)	11.2	10.1	8.9	8.0	7.1
EV/EBITDA - at target price (x)	13.3	11.9	10.5	9.5	8.5
P/BV (x)	4.9	4.4	4.0	3.6	3.2
P/BV - at target price (x)	6.2	5.7	5.1	4.6	4.1
P/CFO (x)	10.4	8.0	7.7	6.9	6.0
Price/sales (x)	0.6	0.5	0.5	0.5	0.4
Dividend yield (%)	1.4	1.8	2.2	2.6	3.2
FCF Yield (%)	5.2	8.4	6.4	7.8	10.4
(Bt)					
Normalized EPS	1.4	2.0	2.4	2.9	3.5
EPS	1.4	2.0	2.4	2.9	3.5
DPS	0.8	1.0	1.2	1.4	1.7
BV/share	11.2	12.4	13.7	15.3	17.2
CFO/share	5.2	6.8	7.1	7.9	9.0
FCF/share	2.8	4.6	3.5	4.3	5.7

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	45.5	8.0	9.0	6.9	6.4
Net profit (%)	2.2	39.3	20.6	17.2	20.8
EPS (%)	(5.5)	44.3	23.3	17.5	21.2
Normalized profit (%)	52.5	38.3	21.3	17.2	20.8
Normalized EPS (%)	41.0	43.3	24.1	17.5	21.2
Dividend payout ratio (%)	54.9	50.7	50.0	50.0	50.0
Operating performance					
Gross margin (%)	23.6	24.1	24.0	24.2	24.4
Operating margin (%)	4.2	4.6	4.7	4.9	5.3
EBITDA margin (%)	8.0	8.1	8.5	8.7	9.0
Net margin (%)	1.8	2.3	2.6	2.8	3.2
D/E (incl. minor) (x)	1.2	1.1	1.0	1.0	0.9
Net D/E (incl. minor) (x)	1.0	0.9	0.9	0.8	0.7
Interest coverage - EBIT (x)	2.1	2.5	2.9	3.3	3.8
Interest coverage - EBITDA (x)	4.1	4.5	5.3	5.9	6.5
ROA - using norm profit (%)	1.4	2.0	2.4	2.8	3.2
ROE - using norm profit (%)	13.0	17.4	19.1	20.1	21.7
DuPont					
ROE - using after tax profit (%)	15.0	20.0	22.1	23.4	25.2
- asset turnover (x)	0.9	1.0	1.1	1.1	1.2
- operating margin (%)	4.2	4.6	4.7	4.9	5.3
- leverage (x)	9.1	8.7	7.9	7.3	6.7
- interest burden (%)	53.4	61.0	66.2	70.2	74.1
- tax burden (%)	80.0	81.8	82.0	82.0	82.0
WACC (%)	8.5	8.5	8.5	9.0	9.0
ROIC (%)	7.5	9.0	10.4	10.9	12.4
NOPAT (Bt m)	28,630	34,320	38,680	42,991	49,140
invested capital (Bt m)	380,652	371,024	394,364	396,753	393,582

We forecast ROE to head upward

Sources: Company data, Thanachart estimates

HOLD (Unchanged)

Change in Numbers

TP: Bt 33.00

(From: Bt 32.00)

2 APRIL 2024

Upside : 6.5%

CP Aextra Pcl (CPAXT TB)

Fairly priced

We like CPAXT as a leader in B2B/B2C grocery retailing with a strong 20% three-year CAGR in 2024-26F. Given the threat to its Makro wholesale business from GO Wholesale and its high 30/26x 2024-25F PE multiples, we maintain our HOLD rating with a higher Bt33 TP.



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Lifting our earnings; still a HOLD

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. We raise CPAXT's earnings by 4/5/2% in 2024-26F as we lift our same-store sales (SSS) assumptions for Makro wholesale to 4/3% in 2024-25F (from 2% earlier) and for Lotus's to 4/3/2% (from 1% p.a.) in 2024-26F based on their market share gains YTD. This brings up our DCF-based 12-month TP (2024F base year) by 3% to Bt33/share from Bt32. Despite our earnings upgrades, we believe CPAXT is worth a HOLD due to its 20% EPS CAGR in 2024-26F vs high 30/26x 2024-25F PE multiples. With comparable growth to CPALL, CPALL is a cheaper choice, trading at 22/19x 2024-25F PE.

Strong Lotus's turnaround

Acquiring Lotus's in 4Q21, Lotus's net profit rose from Bt623m in 2022 to Bt2.7bn last year. Besides falling interest expenses from the completion of Lotus's debt restructuring in April last year and a full two years of product upgrade towards fresh foods and private brands, investment in an omnichannel platform, and Lotus's mall extension program, these efforts have started to pay off. From relatively flat SSS for Lotus's during 1Q22-3Q23, Lotus's has gained market share in the hypermarket space with a 5.5% SSS in 4Q23 and a mid-to-high single-digit SSS for Lotus's Thailand and a high-single-digit SSS for Lotus's Malaysia in 1Q24F on growing fresh foods and online sales. We project Lotus's profit growth at 31/27/31% to Bt3.5/4.4/5.8bn in 2024-26F, contributing 32/35/39% of CPAXT's profit in those years.

Wholesale: Threat from a newcomer

The launch of four GO Wholesale food wholesale stores by Central Retail Corp (CRC TB, Bt35.25, BUY) last year created competition with Makro's wholesale business in some locations, but it has yet to pose a serious threat. In 1Q24F, wholesale SSS is 4-5%. But with CRC's target to open seven more GO Wholesale this year and up to 40-45 branches by 2028, we assume Makro loses some share to this newcomer and it may need to cut its prices. We assume Makro's SSSG at 2% p.a. from 2026F and expect gross margin to expand by 5bp/year from 2025F vs. an average of 19bp/year during 2014-23.

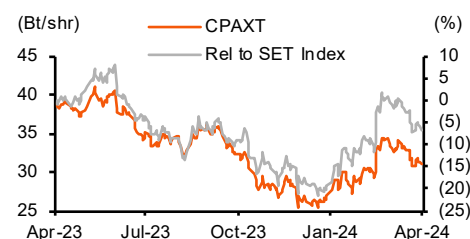
A NewCo listing in 4Q24F

At the AGM on 29 March, the majority of CPAXT's shareholders (only 0.004% of shares with votes against) voted for the amalgamation plan to integrate Makro wholesale with Lotus's Thailand to enhance competitiveness and synergies. Management guided for an immediate Bt100m in savings from the joint purchase in 2H24F and a total of Bt5bn in synergies via improved efficiency, cost savings, and lower capex. The share swap ratio is one CPAXT share for 0.985 NewCo share.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	486,472	533,090	566,800	597,836
Net profit	8,640	10,776	12,714	14,847
Consensus NP	—	10,692	12,236	14,059
Diff frm cons (%)	—	0.8	3.9	5.6
Norm profit	8,640	10,776	12,714	14,847
Prev. Norm profit	—	10,318	12,068	14,623
Chg frm prev (%)	—	4.4	5.3	1.5
Norm EPS (Bt)	0.8	1.0	1.2	1.4
Norm EPS grw (%)	12.3	24.7	18.0	16.8
Norm PE (x)	38.0	30.4	25.8	22.1
EV/EBITDA (x)	12.8	12.3	11.3	10.2
P/BV (x)	1.1	1.1	1.1	1.0
Div yield (%)	1.8	2.3	2.7	3.2
ROE (%)	3.0	3.6	4.1	4.8
Net D/E (%)	22.0	25.9	26.8	25.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	31.00
Market Cap (US\$ m)	9,005.8
Listed Shares (m shares)	10,580.3
Free Float (%)	15.0
Avg Daily Turnover (US\$ m)	6.6
12M Price H/L (Bt)	41.00/25.50
Sector	Commerce
Major Shareholder	CP All 59.92%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P44



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	2035F	Terminal Value
EBITDA	27,172	30,052	33,376	36,943	40,297	43,638	45,758	49,263	52,949	55,170	58,913	62,782	
Free cash flow	289	6,151	10,779	16,049	18,726	23,067	24,649	27,584	30,662	37,236	40,297	47,446	727,461
PV of free cash flow	289	5,254	8,508	11,706	12,621	14,368	14,188	14,198	14,522	16,232	16,167	17,520	268,615
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	0.8												
WACC (%)	7.8												
Terminal growth (%)	2.0												
Enterprise value - add investments	414,188												
Net debt (end-2023A)	64,464												
Minority interest	555												
Equity value	349,169												
# of shares (m)	10,580												
Equity value/share (Bt)	33.00												

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 160 Makro stores as of 2023 (including small food-service stores, food shops, frozen shops, Fresh@Makro) in Thailand, two wholesale stores in Cambodia, four eco-plus branches in India, one branch in Myanmar. It just divested China stores in 3Q23. In 4Q21, Lotus's in Thailand and Malaysia became a wholly owned subsidiary of CPAXT.

Source: Thanachart

THANACHART'S SWOT ANALYSIS

S — Strength

- The cash-and-carry wholesale king 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 the 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.
- Hybrid store model to increase asset utilization.

CONSENSUS COMPARISON

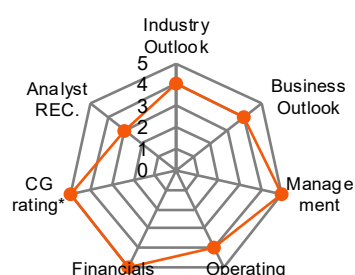
	Consensus	Thanachart	Diff
Target price (Bt)	35.16	33.00	-6%
Net profit 24F (Bt m)	10,692	10,776	1%
Net profit 25F (Bt m)	12,236	12,714	4%
Consensus REC	BUY: 12	HOLD: 9	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profits for 2024-25F are in line with the Bloomberg consensus estimates.
- Our TP is 6% below the consensus number, likely as we factor in competition from GO Wholesale.

Sources: Bloomberg consensus, Thanachart estimates

COMPANY RATING



Source: Thanachart; *CG Rating

Rating Scale

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

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.
- New food wholesale competitor, GO Wholesale

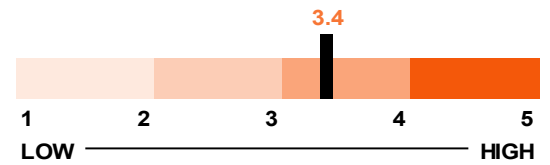
RISKS TO OUR INVESTMENT CASE

- 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.
- If GO Wholesale expands quickly and is highly successful.
- Upside risk if GO Wholesale fails to deliver as planned

Source: Thanachart

CPAXT operates 160 large and small cash & carry stores in Thailand and 8 branches in Cambodia, India, and Myanmar. It also owns 2,499 Lotus’s hypermarkets and supermarkets in Thailand and 66 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



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CPAXT	-	AAA	-	A	56.31	74.04	70.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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

- CPAXT released scope 1 and 2 greenhouse gas (GHG) emissions of 0.7m tonnes of CO2 equivalent in 2023.
- CPAXT targets carbon neutrality from its operations by 2030.
- 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.
- CPAXT is committed to achieving sending zero food waste to landfills by 2030.
- CPAXT is committed to using packaging that can be reduced, reused, recycled, and upcycled.

SOCIAL

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

- 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).
- In 2023, 2.9% of its total employees were >50 years old, while it had 203 disabled staff. Average employee training increased from 8.96 hours/person/year in 2018 to 47 hours in 2023. The fatality rate of employees as a result of work-related injuries was 0% in 2018-23, with 100% of staff covered by an occupational health and safety management system.
- CPAXT strives to ensure food safety throughout the supply chain and it has appointed a committee on food quality and safety.

**GOVERNANCE &
SUSTAINABILITY**

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

- 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.
- 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.
- 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.

Source: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	466,082	486,472	533,090	566,800	597,836
Cost of sales	389,588	408,274	446,965	474,493	499,780
Gross profit	76,494	78,198	86,125	92,306	98,055
% gross margin	16.4%	16.1%	16.2%	16.3%	16.4%
Selling & administration expenses	62,842	64,968	70,908	75,348	78,503
Operating profit	16,701	16,707	18,832	20,774	23,552
% operating margin	3.6%	3.4%	3.5%	3.7%	3.9%
Depreciation & amortization	14,117	13,971	14,345	15,473	16,426
EBITDA	30,819	30,678	33,177	36,247	39,978
% EBITDA margin	6.6%	6.3%	6.2%	6.4%	6.7%
Non-operating income	3,050	3,477	3,615	3,816	3,999
Non-operating expenses	0	0	0	0	0
Interest expense	(7,122)	(6,319)	(5,746)	(5,205)	(5,237)
Pre-tax profit	9,579	10,388	13,085	15,569	18,314
Income tax	2,729	2,535	3,101	3,665	4,268
After-tax profit	6,850	7,853	9,984	11,904	14,047
% net margin	1.5%	1.6%	1.9%	2.1%	2.3%
Shares in affiliates' Earnings	831	746	761	776	792
Minority interests	15	41	30	33	9
Extraordinary items	0	0	0	0	0
NET PROFIT	7,697	8,640	10,776	12,714	14,847
Normalized profit	7,697	8,640	10,776	12,714	14,847
EPS (Bt)	0.7	0.8	1.0	1.2	1.4
Normalized EPS (Bt)	0.7	0.8	1.0	1.2	1.4

*We project a 20% EPS
CAGR in 2024-26F*

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	87,355	76,739	70,521	71,856	75,845
Cash & cash equivalent	40,103	31,721	21,514	19,814	21,014
Account receivables	2,431	2,304	2,337	2,485	2,621
Inventories	37,820	35,884	39,186	41,599	43,816
Others	7,001	6,830	7,485	7,958	8,394
Investments & loans	14,961	14,783	14,783	14,783	14,783
Net fixed assets	118,115	115,574	125,572	134,943	141,760
Other assets	328,213	333,275	336,180	337,251	337,455
Total assets	548,643	540,371	547,057	558,833	569,843
LIABILITIES:					
Current liabilities:	90,763	118,150	115,214	119,819	125,406
Account payables	55,867	60,193	61,228	64,999	68,463
Bank overdraft & ST loans	1,637	2,382	20,135	20,554	20,434
Current LT debt	0	23,623	4,027	4,111	4,087
Others current liabilities	33,259	31,951	29,824	30,155	32,422
Total LT debt	110,025	70,180	76,514	78,105	77,651
Others LT liabilities	56,925	58,569	50,233	51,355	52,039
Total liabilities	257,713	246,899	241,962	249,279	255,096
Minority interest	583	555	524	491	482
Preferred 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	(7,009)	(7,664)	0	0	0
Retained earnings	28,186	31,410	35,399	39,892	45,093
Shareholders' equity	290,348	292,918	304,571	309,063	314,264
Liabilities & equity	548,643	540,371	547,057	558,833	569,843

*Capital increase to
acquire Lotus's in 4Q21*

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	9,579	10,388	13,085	15,569	18,314
Tax paid	(2,901)	(2,518)	(2,995)	(3,604)	(4,201)
Depreciation & amortization	14,117	13,971	14,345	15,473	16,426
Chg In working capital	(4,961)	6,389	(2,300)	1,210	1,111
Chg In other CA & CL / minorities	2,086	(401)	(2,127)	573	2,556
Cash flow from operations	17,921	27,830	20,008	29,221	34,206
Capex	(9,882)	(7,448)	(20,120)	(20,220)	(18,220)
Right of use	(4,243)	(6,565)	(5,000)	(5,000)	(5,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	(651)	177	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,568)	(830)	(10,463)	426	457
Cash flow from investments	(16,344)	(14,665)	(35,583)	(24,794)	(22,763)
Debt financing	(24,658)	(15,476)	4,490	2,094	(598)
Capital increase	0	0	0	0	0
Dividends paid	(5,290)	(5,396)	(6,787)	(8,221)	(9,646)
Warrants & other surplus	(56)	(674)	7,994	0	0
Cash flow from financing	(30,004)	(21,546)	5,698	(6,127)	(10,244)
Free cash flow	8,039	20,382	(112)	9,001	15,986

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	42.6	38.0	30.4	25.8	22.1
Normalized PE - at target price (x)	45.4	40.4	32.4	27.5	23.5
PE (x)	42.6	38.0	30.4	25.8	22.1
PE - at target price (x)	45.4	40.4	32.4	27.5	23.5
EV/EBITDA (x)	13.0	12.8	12.3	11.3	10.2
EV/EBITDA - at target price (x)	13.7	13.5	12.9	11.9	10.8
P/BV (x)	1.1	1.1	1.1	1.1	1.0
P/BV - at target price (x)	1.2	1.2	1.1	1.1	1.1
P/CFO (x)	18.3	11.8	16.4	11.2	9.6
Price/sales (x)	0.7	0.7	0.6	0.6	0.5
Dividend yield (%)	1.6	1.8	2.3	2.7	3.2
FCF Yield (%)	2.5	6.2	(0.0)	2.7	4.9
(Bt)					
Normalized EPS	0.7	0.8	1.0	1.2	1.4
EPS	0.7	0.8	1.0	1.2	1.4
DPS	0.5	0.6	0.7	0.8	1.0
BV/share	27.4	27.7	28.8	29.2	29.7
CFO/share	1.7	2.6	1.9	2.8	3.2
FCF/share	0.8	1.9	(0.0)	0.9	1.5

Sources: Company data, Thanachart estimates

Premium 2024-25F PE multiples vs. peers'

FINANCIAL RATIOS

	FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate						
	Sales (%)	75.6	4.4	9.6	6.3	5.5
<i>We estimate double-digit EPS growth for many years</i>	Net profit (%)	(43.8)	12.3	24.7	18.0	16.8
	EPS (%)	(67.2)	12.3	24.7	18.0	16.8
	Normalized profit (%)	10.4	12.3	24.7	18.0	16.8
	Normalized EPS (%)	(35.6)	12.3	24.7	18.0	16.8
	Dividend payout ratio (%)	70.1	69.8	70.0	70.0	70.0
Operating performance						
	Gross margin (%)	16.4	16.1	16.2	16.3	16.4
	Operating margin (%)	3.6	3.4	3.5	3.7	3.9
	EBITDA margin (%)	6.6	6.3	6.2	6.4	6.7
<i>More debt room given its loan covenant at 2x D/E</i>	Net margin (%)	1.5	1.6	1.9	2.1	2.3
	D/E (incl. minor) (x)	0.4	0.3	0.3	0.3	0.3
	Net D/E (incl. minor) (x)	0.2	0.2	0.3	0.3	0.3
	Interest coverage - EBIT (x)	2.3	2.6	3.3	4.0	4.5
	Interest coverage - EBITDA (x)	4.3	4.9	5.8	7.0	7.6
	ROA - using norm profit (%)	1.4	1.6	2.0	2.3	2.6
	ROE - using norm profit (%)	2.7	3.0	3.6	4.1	4.8
DuPont						
	ROE - using after tax profit (%)	2.4	2.7	3.3	3.9	4.5
	- asset turnover (x)	0.8	0.9	1.0	1.0	1.1
	- operating margin (%)	3.6	3.4	3.5	3.7	3.9
	- leverage (x)	1.9	1.9	1.8	1.8	1.8
	- interest burden (%)	57.4	62.2	69.5	74.9	77.8
	- tax burden (%)	71.5	75.6	76.3	76.5	76.7
	WACC (%)	7.8	7.8	7.8	8.2	8.2
	ROIC (%)	3.4	3.5	4.0	4.1	4.6
	NOPAT (Bt m)	11,944	12,630	14,369	15,884	18,064
	invested capital (Bt m)	361,907	357,382	383,733	392,020	395,423

Sources: Company data, Thanachart estimates

BUY (Unchanged)

Company Update

TP: Bt 87.00 (Unchanged)

Upside : 37.5%

2 APRIL 2024

Central Pattana Pcl (CPN TB)

A low-risk retail operator

We see CPN as a good-value retail play, trading at a new low 2024-25F PE of 19/17x. We like CPN's resiliency, with 80% of revenues being recurring mall rental income, while its mixed-use asset model strengthens its mall business with extra non-retail growth.



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A good-value retail play

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. We reaffirm our BUY call on CPN with a SOTP-based TP (2024F base year) of Bt87. **First**, CPN is a low-risk retail operator since 80% of its revenue comes from retail rental income, with an average occupancy rate of 92%, which is similar to its decades-long pre-COVID average. **Second**, its mixed-use retail-led project development strengthens its mall business with extra growth from non-retail businesses. **Third**, its residential property at this stage is still more of a growth factor than a major risk since it is coming from a low base (around 5% of 2024F earnings). **Lastly**, we see CPN as a good-value play in the retail sector with 19/17x PE multiples vs. the sector average of 25/20x in 2024-25F on an 11% EPS CAGR in 2024-26F.

Strong mall income and gross margin

Post-COVID, CPN's mall operations resumed quickly. Its rent discounts were lowered to 4% last year to a normalized level, while traffic recovered to 92% of the pre-COVID level in 2019. Tenant sales from revenue-sharing contracts returned to 2019's level, driven by fashion and technology tenants. Mall rental gross margin also hit a record of 55% in 2023. We project its margin to remain elevated from now. Growth from new mall launches continues, and we project the number of malls to increase to 48 by 2027F, from 40 in 2023. The four announced for 2024-25 are Central Nakhon Sawan (1Q24), Central Nakhon Pathom (1Q24), Central Krabi (1H25F), and Central Park (3Q25F).

Accelerating mixed-use development

CPN began its mixed-use business model in 2018 when it started building residential projects, and it began to expand its hotel portfolio in 2022. In 2023, 18 of its 40 shopping malls had attached offices, hotels, or residential projects as mixed-use projects in its center-of-life business concept. Non-retail revenue rose to 16% of total revenues in 2023 from 10% in 2022. Since 2018, there have been 33 residential projects and nine hotels. By 2028, it plans to increase mixed-use projects to 25. Some 20% of 2024-28 planned capex of Bt121bn is allocated for non-retail development, driving residential projects to reach 60 and hotels to 2,600 keys from 1,481 currently.

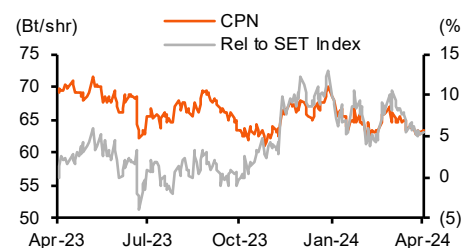
Risk from rising land lease costs

CPN has 19 malls on land lease contracts. The latest renewal was the land lease for the Central Pinklao project, renewed ahead of the existing lease expiry in 2027. CPN expects a net impact on its bottom line of not over Bt1bn, or 7% of last year's profit which we have already taken into account. Four contracts expire in the next 10 years: Central Chonburi (2027), Central Ladprao (2028), Esplanade (2031), and Rattanathibet (2034).

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	45,613	50,280	52,985	57,498
Net profit	15,062	16,359	17,459	19,180
Consensus NP	—	16,058	17,364	18,296
Diff frm cons (%)	—	1.9	0.5	4.8
Norm profit	13,916	15,031	16,574	19,180
Prev. Norm profit	—	15,031	16,574	19,180
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	3.1	3.3	3.7	4.3
Norm EPS grw (%)	38.7	8.0	10.3	15.7
Norm PE (x)	20.4	18.9	17.1	14.8
EV/EBITDA (x)	14.3	13.2	12.1	10.9
P/BV (x)	3.1	2.8	2.6	2.4
Div yield (%)	2.8	2.9	3.1	3.4
ROE (%)	16.0	15.6	15.8	16.7
Net D/E (%)	73.1	72.0	68.9	67.3

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	63.25
Market Cap (US\$ m)	7,794.2
Listed Shares (m shares)	4,488.0
Free Float (%)	68.3
Avg Daily Turnover (US\$ m)	14.0
12M Price H/L (Bt)	71.50/61.00
Sector	PROP
Major Shareholder	Central Holding Co., Ltd 26.21%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P51



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

SOTP valuation			(Bt m)
Risk-free rate (Rf) (%)	2.5	Total present value of FCF	438,242
Market risk premium (Rm-Rf) (%)	8.0	Less: net debt	73,560
Beta	0.95	Less: minority interest	8,309
Cost of equity (Ke) (%)	10.1	Equity value	356,373
After-tax cost of debt (Kd) (%)	2.0	No of shares (end-2023) (m)	4,488
Debt to total assets (%)	35.0	Equity value/share (Bt/share)	79.41
WACC (%)	7.3	<u>plus</u> Value of CPNREIT (30.3%-owned) (Bt/CPN share)	3.55
		Value of CPNCG (25%-owned) (Bt/CPN share)	0.28
		Value of six land plots (Bt/CPN share)	3.76
		CPN's SOTP-based target price (Bt/share)	87.00

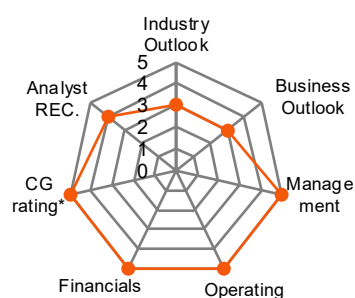
Source: Thanachart estimates

COMPANY DESCRIPTION

Central Pattana Pcl (CPN) is Thailand's largest shopping mall developer with more than 30 years of experience. CPN currently manages 42 shopping malls, ten office buildings, nine hotels and 33 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

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

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
Target price (Bt)	82.10	87.00	6%
Net profit 24F (Bt m)	16,058	16,359	2%
Net profit 25F (Bt m)	17,364	17,459	1%
Consensus REC	BUY: 22	HOLD: 2	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profits are largely in line with the Bloomberg consensus estimates.
- Our SOTP-derived TP is 6% higher than the Street's. We think this is due to us assuming four new mall openings that have not yet been announced in 2026-27F.

Sources: Bloomberg consensus, Thanachart estimates

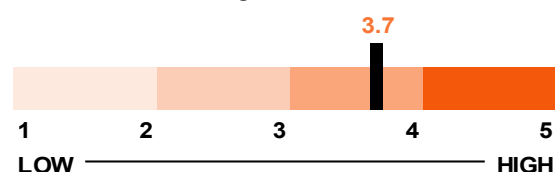
RISKS TO OUR INVESTMENT CASE

- 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 41 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



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CPN	YES	AA	YES	BBB	56.97	67.7	83.00	35.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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) 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 " destinations of life" rather than places 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 employee safety at its workplaces.
- In 2022, CPN conducted two employee engagement surveys, with a 76% engagement score. It also implemented 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

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	36,343	45,613	50,280	52,985	57,498
Cost of sales	18,033	21,509	23,635	24,372	25,364
Gross profit	18,310	24,104	26,645	28,614	32,134
% gross margin	50.4%	52.8%	53.0%	54.0%	55.9%
Selling & administration expenses	6,534	7,655	8,287	8,468	8,902
Operating profit	11,776	16,450	18,358	20,146	23,232
% operating margin	32.4%	36.1%	36.5%	38.0%	40.4%
Depreciation & amortization	8,550	8,546	9,178	9,935	10,801
EBITDA	20,326	24,996	27,536	30,081	34,034
% EBITDA margin	55.9%	54.8%	54.8%	56.8%	59.2%
Non-operating income	1,316	1,291	1,467	1,556	1,703
Non-operating expenses	0	0	0	0	0
Interest expense	(2,204)	(2,613)	(3,710)	(3,799)	(3,921)
Pre-tax profit	10,889	15,128	16,116	17,904	21,015
Income tax	2,304	3,175	3,223	3,581	4,203
After-tax profit	8,585	11,953	12,893	14,323	16,812
% net margin	23.6%	26.2%	25.6%	27.0%	29.2%
Shares in affiliates' Earnings	1,560	2,133	2,320	2,442	2,569
Minority interests	(114)	(171)	(181)	(191)	(201)
Extraordinary items	730	1,146	1,328	885	0
NET PROFIT	10,760	15,062	16,359	17,459	19,180
Normalized profit	10,030	13,916	15,031	16,574	19,180
EPS (Bt)	2.4	3.4	3.6	3.9	4.3
Normalized EPS (Bt)	2.2	3.1	3.3	3.7	4.3

Record core profit continues with 8/10/16% growth in 2024-26F

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	25,242	25,546	28,773	30,931	34,013
Cash & cash equivalent	6,121	5,059	5,391	6,491	7,691
Account receivables	2,915	2,217	3,444	3,629	3,938
Inventories	0	0	0	0	0
Others	16,206	18,269	19,938	20,811	22,384
Investments & loans	41,306	42,282	42,282	42,282	42,282
Net fixed assets	172,707	175,798	188,220	202,584	219,983
Other assets	33,436	36,247	36,955	36,944	38,090
Total assets	272,692	279,873	296,230	312,742	334,368
LIABILITIES:					
Current liabilities:	42,032	53,868	45,919	48,169	51,496
Account payables	1,274	1,485	1,619	1,669	1,737
Bank overdraft & ST loans	13,310	13,972	12,586	13,195	14,123
Current LT debt	15,966	24,885	17,830	18,693	20,008
Others current liabilities	11,481	13,526	13,885	14,612	15,628
Total LT debt	51,329	39,762	53,489	56,078	60,023
Others LT liabilities	89,711	85,661	87,829	90,307	94,439
Total liabilities	183,072	179,291	187,237	194,553	205,958
Minority interest	8,145	8,309	8,490	8,681	8,882
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	(326)	559	559	559	559
Retained earnings	70,998	80,911	89,142	98,146	108,167
Shareholders' equity	81,475	92,273	100,503	109,508	119,528
Liabilities & equity	272,692	279,873	296,230	312,742	334,368

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	10,889	15,128	16,116	17,904	21,015
Tax paid	(1,855)	(2,710)	(3,232)	(3,438)	(4,122)
Depreciation & amortization	8,550	8,546	9,178	9,935	10,801
Chg In working capital	1,854	909	(1,093)	(135)	(241)
Chg In other CA & CL / minorities	(3,103)	2,019	541	1,659	1,417
Cash flow from operations	16,335	23,892	21,509	25,925	28,869
Capex	(11,409)	(11,636)	(21,600)	(24,300)	(28,200)
Right of use	0	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(268)	(976)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,091)	(6,090)	3,267	3,868	3,501
Cash flow from investments	(12,768)	(18,703)	(18,333)	(20,432)	(24,699)
Debt financing	(1,116)	(1,986)	5,285	4,061	6,189
Capital increase	0	0	0	0	0
Dividends paid	(2,709)	(5,182)	(8,129)	(8,455)	(9,160)
Warrants & other surplus	321	918	0	0	0
Cash flow from financing	(3,503)	(6,250)	(2,844)	(4,393)	(2,971)
Free cash flow	4,925	12,255	(91)	1,625	669

Despite high capex, we only expect net gearing of 0.67-0.72x in 2024-26F

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	28.3	20.4	18.9	17.1	14.8
Normalized PE - at target price (x)	38.9	28.1	26.0	23.6	20.4
PE (x)	26.4	18.8	17.4	16.3	14.8
PE - at target price (x)	36.3	25.9	23.9	22.4	20.4
EV/EBITDA (x)	17.6	14.3	13.2	12.1	10.9
EV/EBITDA - at target price (x)	22.9	18.6	17.0	15.7	14.0
P/BV (x)	3.5	3.1	2.8	2.6	2.4
P/BV - at target price (x)	4.8	4.2	3.9	3.6	3.3
P/CFO (x)	17.4	11.9	13.2	10.9	9.8
Price/sales (x)	7.8	6.2	5.6	5.4	4.9
Dividend yield (%)	1.8	2.8	2.9	3.1	3.4
FCF Yield (%)	1.7	4.3	(0.0)	0.6	0.2
(Bt)					
Normalized EPS	2.2	3.1	3.3	3.7	4.3
EPS	2.4	3.4	3.6	3.9	4.3
DPS	1.2	1.8	1.8	1.9	2.1
BV/share	18.2	20.6	22.4	24.4	26.6
CFO/share	3.6	5.3	4.8	5.8	6.4
FCF/share	1.1	2.7	(0.0)	0.4	0.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	48.2	25.5	10.2	5.4	8.5
Net profit (%)	50.5	40.0	8.6	6.7	9.9
EPS (%)	50.5	40.0	8.6	6.7	9.9
Normalized profit (%)	196.8	38.7	8.0	10.3	15.7
Normalized EPS (%)	196.8	38.7	8.0	10.3	15.7
Dividend payout ratio (%)	48.0	53.6	50.0	50.0	50.0
Operating performance					
Gross margin (%)	50.4	52.8	53.0	54.0	55.9
Operating margin (%)	32.4	36.1	36.5	38.0	40.4
EBITDA margin (%)	55.9	54.8	54.8	56.8	59.2
Net margin (%)	23.6	26.2	25.6	27.0	29.2
D/E (incl. minor) (x)	0.9	0.8	0.8	0.7	0.7
Net D/E (incl. minor) (x)	0.8	0.7	0.7	0.7	0.7
Interest coverage - EBIT (x)	5.3	6.3	4.9	5.3	5.9
Interest coverage - EBITDA (x)	9.2	9.6	7.4	7.9	8.7
ROA - using norm profit (%)	3.5	5.0	5.2	5.4	5.9
ROE - using norm profit (%)	13.0	16.0	15.6	15.8	16.7
DuPont					
ROE - using after tax profit (%)	11.1	13.8	13.4	13.6	14.7
- asset turnover (x)	0.1	0.2	0.2	0.2	0.2
- operating margin (%)	36.0	38.9	39.4	41.0	43.4
- leverage (x)	3.7	3.2	3.0	2.9	2.8
- interest burden (%)	83.2	85.3	81.3	82.5	84.3
- tax burden (%)	78.8	79.0	80.0	80.0	80.0
WACC (%)	7.3	7.3	7.3	7.8	7.8
ROIC (%)	6.2	8.3	8.9	9.0	9.7
NOPAT (Bt m)	9,284	12,998	14,686	16,117	18,586
invested capital (Bt m)	155,960	165,833	179,016	190,982	205,992

Sources: Company data, Thanachart estimates

BUY (Unchanged)**TP: Bt 45.00** (From: Bt 44.00)**2 APRIL 2024**

Change in Numbers

Upside : 27.7%

Central Retail Corp Pcl (CRC TB)

Paving the way for growth

In addition to its 13% three-year core EPS CAGR from existing businesses' store expansion and a recovery in Vietnam, CRC offers earnings upside from its new business GO Wholesale and Thai Watsadu's spinoff plan. We see CRC as a growth stock. BUY.

**PHANNARAI TIYAPITTAYARUT**

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Fine-tuning up our earnings

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. We lift our earnings for CRC by 6/5/4% in 2024-26F and our DCF-based 12-month TP (2024F base year) by 2% to Bt45 (from Bt44) and reaffirm BUY. This is to factor in a slight beat in last year's same-store sales (SSS) growth to 3% (from our 2.5% forecast), leading us to lift our SSS assumption to 2.9% in 2024F (from 2.6%) and keep it unchanged at 3.4% in both 2025-26F. We also lower our interest expense projections by 3/8/7% in 2024-26F, as CRC should benefit from expected policy rate cuts this year given its high 75% floating-rate debt portion.

A growth stock

CRC is a growth stock, in our view. Besides its 13% core EPS CAGR in 2024-26F from existing businesses; store expansion of Thai Watsadu, department stores in Thailand, new food business outlets in Thailand and Vietnam, and rental income growth from Robinson Lifestyle malls in Thailand and GO! Malls in Vietnam, the variety of its businesses accommodates new areas of growth. Compared to CPN, CPN offers lower growth but a more stable recurring business in our view. CRC offers higher earnings upside potential but higher risk, and vice versa.

GO Wholesale a tempting business

We view CRC's expansion into the large and fragmented food wholesale segment as a good strategic move for long-term growth. The food wholesale market is sizeable at Bt2.6tr, with CP Aextra Pcl (CPAXT, Bt31.00, HOLD) being the only key player with a 9% sales share. CRC aggressively plans to have 40-45 GO Wholesale stores by 2028. The average size is 7,000 sqm, and the capex is Bt500m/store. It opened the first four stores in 4Q23, and it targets seven new ones this year. We estimate loss contributions of Bt351-628m in 2024-28F, dragging overall core profit down by 4-5% p.a. in those years. We then estimate a lower loss of Bt281m in 2029F and profits in 2030F before a 4% profit contribution in 2032F.

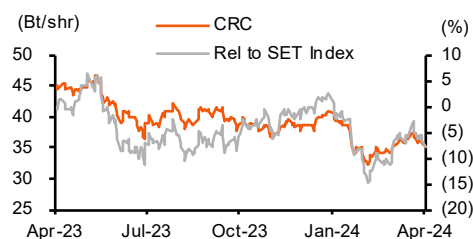
Acquiring 22 Thai Watsadu land plots by 2Q24

To prepare for Thai Watsadu's spinoff and reduce the risk of land leasehold rights being terminated or renewed at higher cost, CRC is acquiring 24 land plots (22 existing Thai Watsadu branches, one Tops supermarket branch, one Tops distribution center) for Bt5.6bn by 2Q24. Of a total of 81 Thai Watsadu stores at end-2023, only five are on freehold land. With 10 plots of freehold land for Thai Watsadu openings in 2024-25, 22 plots being acquired, and five existing freehold stores, the number of stores on freehold land would rise from five to 37, or 40% of total branches in 2025F. It expects to book a Bt250m one-time gain in 2Q24 and Bt100m in rent savings/year (Bt40m net of interest costs).

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	231,438	263,097	296,516	335,269
Net profit	8,016	9,412	10,250	11,747
Consensus NP	—	9,132	10,550	11,898
Diff frm cons (%)	—	3.1	(2.8)	(1.3)
Norm profit	8,168	9,162	10,250	11,747
Prev. Norm profit	—	8,614	9,739	11,340
Chg frm prev (%)	—	6.4	5.2	3.6
Norm EPS (Bt)	1.4	1.5	1.7	1.9
Norm EPS grw (%)	17.9	12.2	11.9	14.6
Norm PE (x)	26.0	23.2	20.7	18.1
EV/EBITDA (x)	9.0	8.5	8.0	7.5
P/BV (x)	3.2	2.9	2.7	2.5
Div yield (%)	1.6	1.8	1.9	2.2
ROE (%)	12.6	12.6	13.5	14.2
Net D/E (%)	98.6	95.9	87.6	77.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	35.25
Market Cap (US\$ m)	5,837.3
Listed Shares (m shares)	6,031.0
Free Float (%)	54.6
Avg Daily Turnover (US\$ m)	10.5
12M Price H/L (Bt)	46.50/32.25
Sector	Commerce
Major Shareholder	Harg Central Department Store Co.,Ltd. 35.06%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P58



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	2035F	Terminal Value
EBITDA	33,713	35,724	37,954	40,777	43,324	45,615	47,811	50,585	53,128	55,713	58,723	61,934	
Free cash flow	1,949	8,352	10,120	17,578	21,876	28,197	30,236	33,569	35,628	37,765	40,293	42,977	576,814
PV of free cash flow	1,949	7,005	7,774	12,366	14,092	16,634	16,336	16,119	15,606	15,093	14,693	14,299	191,912
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.1												
WACC (%)	8.8												
Terminal growth (%)	2.0												
Enterprise value - add investments	343,877												
Net debt	69,310												
Minority interest	3,201												
Equity value	271,366												
# of shares (m)	6,031												
Equity value/share (Bt)	45												

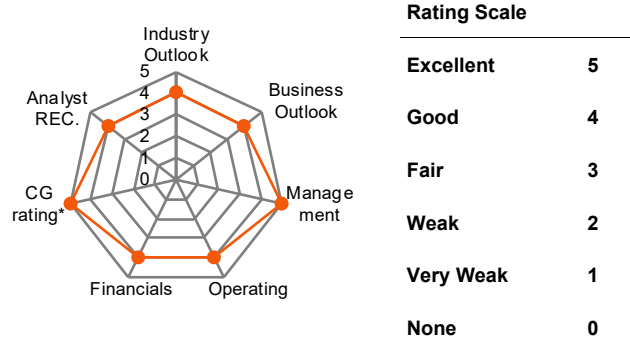
Source: Company, Thanachart estimates

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-2023, it operated a net selling area of 3.6m sqm and a 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)	44.81	45.00	0%
Net profit 24F (Bt m)	9,132	9,412	3%
Net profit 25F (Bt m)	10,550	10,250	-3%
Consensus REC	BUY: 21	HOLD: 3	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profits are in line with the Bloomberg consensus numbers.
- Our DCF-based TP is, therefore, in line with the Street's.

Sources: Bloomberg consensus, Thanachart estimates

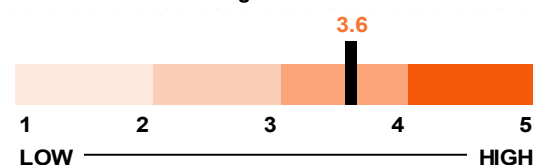
RISKS TO OUR INVESTMENT CASE

- 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 a 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



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CRC	YES	AAA	YES	BBB	-	58.54	77.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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 areas (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, the employee engagement level was 72%, and it aims to lift this 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-aware 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

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	219,898	231,438	263,097	296,516	335,269
Cost of sales	159,647	164,941	188,806	214,492	244,579
Gross profit	60,251	66,497	74,291	82,024	90,690
% gross margin	27.4%	28.7%	28.2%	27.7%	27.1%
Selling & administration expenses	64,540	69,834	77,206	85,447	94,141
Operating profit	11,539	13,615	15,529	16,714	18,581
% operating margin	5.2%	5.9%	5.9%	5.6%	5.5%
Depreciation & amortization	17,171	17,722	18,184	19,010	19,373
EBITDA	28,709	31,337	33,713	35,724	37,954
% EBITDA margin	13.1%	13.5%	12.8%	12.0%	11.3%
Non-operating income	16,041	17,250	18,618	20,329	22,233
Non-operating expenses	0	0	0	0	0
Interest expense	(3,479)	(4,642)	(4,853)	(4,697)	(4,694)
Pre-tax profit	8,273	9,271	10,849	12,209	14,089
Income tax	1,733	1,587	2,170	2,442	2,818
After-tax profit	6,540	7,685	8,680	9,767	11,271
% net margin	3.0%	3.3%	3.3%	3.3%	3.4%
Shares in affiliates' Earnings	820	990	1,059	1,133	1,213
Minority interests	(430)	(506)	(577)	(651)	(736)
Extraordinary items	245	(152)	250	0	0
NET PROFIT	7,175	8,016	9,412	10,250	11,747
Normalized profit	6,930	8,168	9,162	10,250	11,747
EPS (Bt)	1.2	1.3	1.6	1.7	1.9
Normalized EPS (Bt)	1.1	1.4	1.5	1.7	1.9

Strong EBITDA growth after COVID

We expect record profit to continue

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	76,532	79,956	89,262	99,674	111,455
Cash & cash equivalent	15,617	14,814	17,025	18,048	18,884
Account receivables	5,421	5,545	6,087	6,616	7,206
Inventories	43,675	46,413	51,210	58,177	66,338
Others	11,819	13,185	14,940	16,832	19,027
Investments & loans	6,318	6,314	6,314	6,314	6,314
Net fixed assets	49,045	57,497	68,413	73,403	78,030
Other assets	144,090	143,330	147,731	148,794	149,156
Total assets	275,984	287,097	311,720	328,185	344,955
LIABILITIES:					
Current liabilities:	108,488	118,505	123,819	132,644	140,947
Account payables	39,828	41,831	46,555	52,888	60,307
Bank overdraft & ST loans	34,954	30,917	36,223	36,543	36,131
Current LT debt	6,561	16,932	10,867	10,963	10,839
Others current liabilities	27,145	28,825	30,174	32,249	33,669
Total LT debt	39,780	36,275	43,467	43,852	43,358
Others LT liabilities	62,831	62,056	67,726	68,013	68,889
Total liabilities	211,099	216,837	235,012	244,509	253,194
Minority interest	2,762	3,201	3,778	4,428	5,165
Preferreds shares	0	0	0	0	0
Paid-up capital	6,031	6,031	6,031	6,031	6,031
Share premium	66,761	66,761	66,761	66,761	66,761
Warrants	0	0	0	0	0
Surplus	(24,459)	(24,670)	(24,670)	(24,670)	(24,670)
Retained earnings	13,790	18,937	24,808	31,125	38,473
Shareholders' equity	62,123	67,060	72,931	79,248	86,596
Liabilities & equity	275,984	287,097	311,720	328,185	344,955

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	8,273	9,271	10,849	12,209	14,089
Tax paid	(1,458)	(1,449)	(2,109)	(2,293)	(2,696)
Depreciation & amortization	17,171	17,722	18,184	19,010	19,373
Chg In working capital	(3,524)	(858)	(617)	(1,163)	(1,331)
Chg In other CA & CL / minorities	(233)	943	405	920	69
Cash flow from operations	20,229	25,629	26,713	28,683	29,504
Capex	(22,856)	(26,174)	(29,100)	(24,000)	(24,000)
Right of use	2,059	1,555	78	4	4
ST loans & investments	98	(34)	38	0	0
LT loans & investments	(759)	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(2,256)	(1,532)	1,591	(532)	757
Cash flow from investments	(23,714)	(26,182)	(27,393)	(24,529)	(23,239)
Debt financing	2,455	2,829	6,433	801	(1,030)
Capital increase	(123)	0	0	0	0
Dividends paid	(1,809)	(2,895)	(3,541)	(3,932)	(4,399)
Warrants & other surplus	492	(185)	0	0	0
Cash flow from financing	1,014	(250)	2,892	(3,131)	(5,429)
Free cash flow	(2,628)	(545)	(2,387)	4,683	5,504

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	30.7	26.0	23.2	20.7	18.1
Normalized PE - at target price (x)	39.2	33.2	29.6	26.5	23.1
PE (x)	29.6	26.5	22.6	20.7	18.1
PE - at target price (x)	37.8	33.9	28.8	26.5	23.1
EV/EBITDA (x)	9.7	9.0	8.5	8.0	7.5
EV/EBITDA - at target price (x)	11.7	10.9	10.2	9.6	9.0
P/BV (x)	3.4	3.2	2.9	2.7	2.5
P/BV - at target price (x)	4.4	4.0	3.7	3.4	3.1
P/CFO (x)	10.5	8.3	8.0	7.4	7.2
Price/sales (x)	1.0	0.9	0.8	0.7	0.6
Dividend yield (%)	1.4	1.6	1.8	1.9	2.2
FCF Yield (%)	(1.2)	(0.3)	(1.1)	2.2	2.6
(Bt)					
Normalized EPS	1.1	1.4	1.5	1.7	1.9
EPS	1.2	1.3	1.6	1.7	1.9
DPS	0.5	0.6	0.6	0.7	0.8
BV/share	10.3	11.1	12.1	13.1	14.4
CFO/share	3.4	4.2	4.4	4.8	4.9
FCF/share	(0.4)	(0.1)	(0.4)	0.8	0.9

Sources: Company data, Thanachart estimates

Trading at a much lower PE than 37.5x in 2021-23

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	21.0	5.2	13.7	12.7	13.1
Net profit (%)	11,985.2	11.7	17.4	8.9	14.6
EPS (%)	11,985.2	11.7	17.4	8.9	14.6
Normalized profit (%)	11,572.9	17.9	12.2	11.9	14.6
Normalized EPS (%)	11,572.9	17.9	12.2	11.9	14.6
Dividend payout ratio (%)	40.3	41.4	40.0	40.0	40.0
Operating performance					
Gross margin (%)	27.4	28.7	28.2	27.7	27.1
Operating margin (%)	5.2	5.9	5.9	5.6	5.5
EBITDA margin (%)	13.1	13.5	12.8	12.0	11.3
Net margin (%)	3.0	3.3	3.3	3.3	3.4
D/E (incl. minor) (x)	1.3	1.2	1.2	1.1	1.0
Net D/E (incl. minor) (x)	1.0	1.0	1.0	0.9	0.8
Interest coverage - EBIT (x)	3.3	2.9	3.2	3.6	4.0
Interest coverage - EBITDA (x)	8.3	6.8	6.9	7.6	8.1
ROA - using norm profit (%)	2.6	2.9	2.9	3.2	3.5
ROE - using norm profit (%)	11.7	12.6	12.6	13.5	14.2
DuPont					
ROE - using after tax profit (%)	11.0	11.9	11.9	12.8	13.6
- asset turnover (x)	0.8	0.8	0.8	0.9	1.0
- operating margin (%)	5.3	6.0	6.0	5.7	5.6
- leverage (x)	4.5	4.4	4.3	4.2	4.1
- interest burden (%)	70.4	66.6	69.1	72.2	75.0
- tax burden (%)	79.1	82.9	80.0	80.0	80.0
WACC (%)	8.8	8.8	8.8	9.2	9.2
ROIC (%)	7.8	8.8	9.1	9.1	9.7
NOPAT (Bt m)	9,122	11,285	12,423	13,371	14,865
invested capital (Bt m)	127,801	136,370	146,462	152,558	158,040

ROE looks to be on the way up

Sources: Company data, Thanachart estimates

BUY (Unchanged)

Change in Numbers

TP: Bt 14.50 (From: Bt 13.50)**Upside : 31.8%****2 APRIL 2024**

Dohome Public Co Ltd (DOHOME TB)

A turnaround play

We add DOHOME to our top sector picks for its sector-highest 39% normalized EPS CAGR in 2024-26F. Besides its clear gross margin recovery, it is a play on sped-up government spending and a key beneficiary of policy rate cuts. BUY with a higher Bt14.5 TP.

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Lifting our earnings and TP

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. Following the 4Q23 earnings beat due to a stronger-than-expected gross margin of 16.9%, up from 15.5% in 3Q23 (with guidance for a further rise to 17-18% in 1Q24F), we raise our gross margin assumptions by 46/83/95bp in 2024-26F to 16.8/17.6/18.0% and our earnings estimates by 7/18/21%, respectively. Our DCF-based 12-month TP (2024F base year) is lifted by 7% to Bt14.5/share from Bt13.5. We reaffirm our BUY call on DOHOME for its strong earnings turnaround at a 39% three-year EPS CAGR, the highest among its peers, and 0.9/0.8/0.8x PEG ratios in 2024-26F.

Recovery on the way

Hit by a steel price fall (30% of its sales mix) and the interest rate upcycle in 2022-23, its core EPS fell by 53/37% in 2022-23 with a trough net margin of 1.7% last year and gross margin dropping from 20.2% in 2021 to 15.7% last year and interest expense more than doubling from Bt258m in 2021 to Bt566m last year. A reversal looks likely, with upcoming government infrastructure spending and interest rates soon to trend downward. We expect DOHOME to be a key beneficiary of these two drivers and we estimate its net margin to expand to 2.4/3.2/3.7% in 2024-26F.

39% core EPS CAGR in 2024-26F

We expect DOHOME to deliver strong 48/41/30% core EPS growth in 2024-26F. Drivers are a full-year sales contribution this year from three new branches last year and new branch openings of 3/3 stores in 2025-26F, with total stores growing from 24 in 2023 to 30 in 2026F, gross margin expanding by 108/79/44bp to 16.8/17.6/18.0% due to its private-brand sales mix rising to 21.7/22.7/23.7% (19.7% in 2023), and the higher gross margin of its private-brand products. We also factor in interest expenses falling by 4/11% in 2024-25F from Bt566m in 2023 to Bt485m in 2025F. Longer term, DOHOME targets to expand to 40-50 branches with house-brand sales reaching 25-30% of sales.

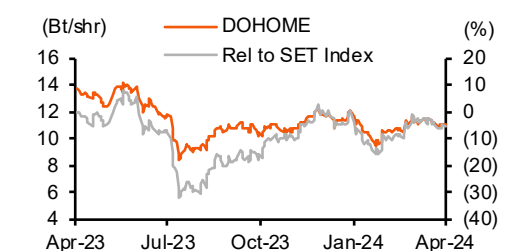
Strong 1Q24F outlook

Although we expect 1Q24F same-store sales (SSS) to remain negative at -10% (better than our -15% earlier forecast) as steel prices have dropped y-y while building materials demand has been weaker due to a lack of new government projects, we estimate 1Q24F net profit to be maintained or have some growth y-y, backed by gross margin rising to nearly 18% vs. 16.5% in 1Q23 and 16.9% in 4Q23. This implies at least 79% core profit growth q-q from Bt144m in 4Q23 to Bt258m in 1Q24F, supported by sales growth (a full quarter of sales from the Bang Phun branch that opened on 22 December last year) and improving gross margin. We estimate -10/-8/-5/10% SSS for 1Q-4Q24F.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	31,218	32,317	35,124	38,753
Net profit	585	787	1,110	1,438
Consensus NP	—	950	1,242	1,587
Diff frm cons (%)	—	(17.2)	(10.6)	(9.4)
Norm profit	532	787	1,110	1,438
Prev. Norm profit	—	735	943	1,187
Chg frm prev (%)	—	7.0	17.7	21.2
Norm EPS (Bt)	0.2	0.2	0.3	0.4
Norm EPS grw (%)	(37.3)	47.8	41.0	29.6
Norm PE (x)	66.8	45.2	32.1	24.7
EV/EBITDA (x)	29.0	23.8	20.4	17.4
P/BV (x)	2.9	2.7	2.5	2.3
Div yield (%)	0.0	0.1	0.1	0.1
ROE (%)	4.5	6.2	8.1	9.7
Net D/E (%)	139.1	113.6	111.4	105.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	11.00
Market Cap (US\$ m)	933.0
Listed Shares (m shares)	3,089.1
Free Float (%)	29.8
Avg Daily Turnover (US\$ m)	2.1
12M Price H/L (Bt)	14.16/8.37
Sector	Commerce
Major Shareholder	Tangmitpracha Family 64.10%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P65



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	2035F	Terminal Value
EBITDA	2,123	2,522	2,993	3,454	3,944	4,471	5,038	5,517	5,890	6,230	6,581	6,911	
Free cash flow	1,584	(477)	(127)	256	936	1,480	2,061	4,564	5,285	5,719	6,031	6,327	113,207
PV of free cash flow	1,584	(414)	(102)	193	658	971	1,260	2,521	2,710	2,722	2,666	2,597	46,460
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	6.8												
Terminal growth (%)	2.0												
Enterprise value - add investments	63,824												
Net debt (end-2023A)	16,932												
Minority interest	0												
Equity value	46,892												
# of shares (m)	3,234												
Equity value/share (Bt)	14.5												

Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

Dohome Pcl (DOHOME) is a leading home-improvement retailer with 40 years of experience in providing products and services relating to construction materials and home decorative products. As of 4Q23, it was operating 24 large-format stores and 11 small-format stores in Thailand. Its distribution center in Pathum Thani province opened in 2018 with a total warehouse area of 41,580 sqm.

Source: Thanachart

COMPANY RATING



Rating Scale

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

Source: Thanachart; CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- DOHOME's executives have 40 years of experience in the home-improvement segment.
- DOHOME's brand is well recognized in the market, particularly in the Northeast of Thailand.
- Complete product varieties, full services, and price leadership.

O — Opportunity

- Still-high traditional trade home-improvement market share upcountry.
- Increased purchasing power and the urbanization trend.
- Expansion opportunities outside its core regions (Northeast, East, and Bangkok).

W — Weakness

- Less store coverage nationwide.
- High credit sales of 28-29%.

T — Threat

- Intensifying competition as key players; Global House, Thai Watsadu, and Mega Home are speeding up store expansion.
- Slow economic growth in the provinces.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	11.36	14.50	28%
Net profit 24F (Bt m)	950	787	-17%
Net profit 25F (Bt m)	1,242	1,110	-11%
Consensus REC	BUY: 6	HOLD: 6	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profit estimates are 17/11% below the Bloomberg consensus numbers, likely due to us having lower SSSG and gross margin assumptions.
- However, our DCF-based TP is higher than the Street's. We think this is because we assume more store openings over the long term.

Sources: Bloomberg consensus, Thanachart estimates

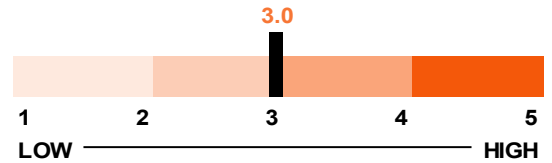
RISKS TO OUR INVESTMENT CASE

- 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, DOHOME's SSS growth and margins would be subject to downside risk.
- Adverse fluctuations in steel prices would be a secondary downside risk.

Source: Thanachart

DOHOME is a modern-trade retailer in the home-improvement segment. It has 24 “Dohome” stores located mostly upcountry in Thailand and 11 small-sized Dohome To Go branches. Its business doesn’t release much greenhouse gas, but it has certain ESG targets. Our ESG score is 2.96.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
DOHOME	-	-	-	-	37.91	31.69	22.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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
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ENVIRONMENT

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

- Environmental targets have been set to reduce energy usage, water usage, waste, and greenhouse gas emissions by 2% by 2024 and 7% by 2027.
- DOHOME imposes electricity-saving measures by setting air-conditioner temperatures at 26-27 degrees Celsius, turning them off one hour before the store closing time, and installing solar cell solutions.
- DOHOME manages debris and waste via water segregation and uses the 3Rs (Reduce, Reuse, Recycle) principle.
- It installs solar panels at every store, has a policy of banning plastic bags, and has a campaign to reduce electricity consumption.

SOCIAL

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

- DOHOME recognizes human resources as the most valuable asset of its business operation and it carries out a transparent, equal, and fair employee policy without discrimination against the disabled, underprivileged, and people’s gender.
- In 2023, employees were 58% male and 42% female, and 50% of its high-level executives were female. There were 82 disabled employees.
- Personnel development includes training, job rotation, career path planning, succession planning, and talent management.
- For social participation, DOHOME promotes jobs in communities, supports educational institutions (toilet repair, school activities), and it donates necessities and consumables to religious institutions.

GOVERNANCE & SUSTAINABILITY

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

- The board of directors (BOD) comprises eight members, three of whom are independent directors. Four are women, and five are from the Tangmitrphracha family, a major shareholder in the company.
- DOHOME has set up an internal audit department to evaluate the sufficiency of its internal control system and report to the audit committee. The risk management committee defines risk management policies, covering both external and internal risks, to be consistent with business strategies and directions.
- DOHOME emphasizes operating its business based on good corporate governance and provides various whistleblowing channels, including email, telephone, LineOfficial, a mail committee, whistleblowing and complaint boxes at specified locations, and the company’s website.

Sources: Thanachart, Company data

INCOME STATEMENT

Sales grew strongly during the COVID years

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	31,321	31,218	32,317	35,124	38,753
Cost of sales	26,434	26,317	26,894	28,953	31,773
Gross profit	4,887	4,901	5,422	6,171	6,980
% gross margin	15.6%	15.7%	16.8%	17.6%	18.0%
Selling & administration expenses	3,728	3,988	4,243	4,684	5,118
Operating profit	1,159	913	1,180	1,486	1,861
% operating margin	3.7%	2.9%	3.6%	4.2%	4.8%
Depreciation & amortization	784	897	943	1,036	1,131
EBITDA	1,943	1,811	2,123	2,522	2,993
% EBITDA margin	6.2%	5.8%	6.6%	7.2%	7.7%
Non-operating income	227	313	332	362	398
Non-operating expenses	(3)	(4)	0	0	0
Interest expense	(350)	(566)	(545)	(485)	(493)
Pre-tax profit	1,032	656	967	1,363	1,766
Income tax	183	123	180	254	329
After-tax profit	849	532	787	1,110	1,438
% net margin	2.7%	1.7%	2.4%	3.2%	3.7%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	(0)	(0)	(0)	(0)
Extraordinary items	(75)	53	0	0	0
NET PROFIT	774	585	787	1,110	1,438
Normalized profit	849	532	787	1,110	1,438
EPS (Bt)	0.2	0.2	0.2	0.3	0.4
Normalized EPS (Bt)	0.3	0.2	0.2	0.3	0.4

2023 profit hit by low steel prices and rising interest costs

BALANCE SHEET

High floating-rate debt at 85% of total interest-bearing debt

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	15,659	15,044	14,898	15,656	16,744
Cash & cash equivalent	163	300	354	379	404
Account receivables	1,463	1,326	1,417	1,540	1,699
Inventories	13,761	13,264	12,968	13,564	14,450
Others	271	154	159	173	191
Investments & loans	0	0	0	0	0
Net fixed assets	16,016	17,356	17,433	18,637	19,715
Other assets	1,643	1,583	1,583	1,583	1,583
Total assets	33,318	33,983	33,913	35,876	38,042
LIABILITIES:					
Current liabilities:	16,456	15,869	15,713	16,355	16,957
Account payables	4,483	3,855	4,053	3,966	4,091
Bank overdraft & ST loans	11,161	10,873	10,655	11,318	11,754
Current LT debt	751	1,071	913	970	1,007
Others current liabilities	61	70	93	100	104
Total LT debt	4,647	5,287	3,653	3,881	4,030
Others LT liabilities	612	650	1,458	1,465	1,475
Total liabilities	21,715	21,807	20,824	21,700	22,461
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	2,907	3,089	3,234	3,234	3,234
Share premium	5,555	5,566	5,566	5,566	5,566
Warrants	0	0	0	0	0
Surplus	(595)	(596)	(596)	(596)	(596)
Retained earnings	3,737	4,116	4,885	5,971	7,377
Shareholders' equity	11,603	12,176	13,089	14,175	15,581
Liabilities & equity	33,318	33,983	33,913	35,876	38,042

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	1,032	656	967	1,363	1,766
Tax paid	(335)	(92)	(195)	(243)	(330)
Depreciation & amortization	784	897	943	1,036	1,131
Chg In working capital	(1,271)	6	403	(806)	(920)
Chg In other CA & CL / minorities	25	136	32	(18)	(12)
Cash flow from operations	235	1,603	2,151	1,333	1,635
Capex	(4,455)	(2,237)	(1,020)	(2,240)	(2,210)
Right of use	(684)	62	0	0	0
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	175	49	807	7	10
Cash flow from investments	(4,963)	(2,126)	(213)	(2,233)	(2,200)
Debt financing	4,639	672	(2,011)	948	622
Capital increase	487	194	144	0	0
Dividends paid	(54)	(20)	(18)	(24)	(32)
Warrants & other surplus	(484)	(186)	0	0	0
Cash flow from financing	4,588	660	(1,884)	925	590
Free cash flow	(4,220)	(634)	1,131	(907)	(575)

We assume no new large-sized store this year, but resuming from 2025F

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	41.9	66.8	45.2	32.1	24.7
Normalized PE - at target price (x)	55.2	88.1	59.6	42.2	32.6
PE (x)	46.0	60.8	45.2	32.1	24.7
PE - at target price (x)	60.6	80.1	59.6	42.2	32.6
EV/EBITDA (x)	26.7	29.0	23.8	20.4	17.4
EV/EBITDA - at target price (x)	32.6	35.2	29.1	24.9	21.1
P/BV (x)	3.1	2.9	2.7	2.5	2.3
P/BV - at target price (x)	4.0	3.9	3.6	3.3	3.0
P/CFO (x)	151.6	22.2	16.5	26.7	21.7
Price/sales (x)	1.1	1.1	1.1	1.0	0.9
Dividend yield (%)	0.1	0.0	0.1	0.1	0.1
FCF Yield (%)	(11.9)	(1.8)	3.2	(2.5)	(1.6)
(Bt)					
Normalized EPS	0.3	0.2	0.2	0.3	0.4
EPS	0.2	0.2	0.2	0.3	0.4
DPS	0.0	0.0	0.0	0.0	0.0
BV/share	3.6	3.8	4.0	4.4	4.8
CFO/share	0.1	0.5	0.7	0.4	0.5
FCF/share	(1.3)	(0.2)	0.3	(0.3)	(0.2)

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	21.5	(0.3)	3.5	8.7	10.3
Net profit (%)	(57.4)	(24.4)	34.5	41.0	29.6
EPS (%)	(57.4)	(24.4)	34.5	41.0	29.6
Normalized profit (%)	(53.3)	(37.3)	47.8	41.0	29.6
Normalized EPS (%)	(53.3)	(37.3)	47.8	41.0	29.6
Dividend payout ratio (%)	2.6	2.7	2.5	2.5	2.5
Operating performance					
Gross margin (%)	15.6	15.7	16.8	17.6	18.0
Operating margin (%)	3.7	2.9	3.6	4.2	4.8
EBITDA margin (%)	6.2	5.8	6.6	7.2	7.7
Net margin (%)	2.7	1.7	2.4	3.2	3.7
D/E (incl. minor) (x)	1.4	1.4	1.2	1.1	1.1
Net D/E (incl. minor) (x)	1.4	1.4	1.1	1.1	1.1
Interest coverage - EBIT (x)	3.3	1.6	2.2	3.1	3.8
Interest coverage - EBITDA (x)	5.5	3.2	3.9	5.2	6.1
ROA - using norm profit (%)	2.8	1.6	2.3	3.2	3.9
ROE - using norm profit (%)	7.6	4.5	6.2	8.1	9.7
DuPont					
ROE - using after tax profit (%)	7.6	4.5	6.2	8.1	9.7
- asset turnover (x)	1.0	0.9	1.0	1.0	1.0
- operating margin (%)	4.4	3.9	4.7	5.3	5.8
- leverage (x)	2.7	2.8	2.7	2.6	2.5
- interest burden (%)	74.7	53.7	64.0	73.8	78.2
- tax burden (%)	82.3	81.2	81.4	81.4	81.4
WACC (%)	6.8	6.8	6.8	7.3	7.3
ROIC (%)	4.2	2.6	3.3	4.3	5.1
NOPAT (Bt m)	953	742	960	1,210	1,515
invested capital (Bt m)	27,999	29,107	27,956	29,966	31,968

Sources: Company data, Thanachart estimates

A turnaround in net margin, ROA and ROE from their 2023 troughs

BUY (Unchanged)

TP: Bt 19.00

(Unchanged)

Change in Numbers

Upside : 13.8%

2 APRIL 2024

Siam Global House Pcl (GLOBAL TB)

Turning around

Apart from its gross margin recovery since 2H23, GLOBAL is riding the resumption of government spending. Bolstered by aggressive branch expansion from last year, we expect GLOBAL to enjoy an earnings growth recovery this year. BUY with a TP of Bt19 for a 14% three-year EPS CAGR.



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Fine-tuning our earnings; BUY

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. Post 4Q23 results, we fine-tune our earnings estimates for GLOBAL by 0.1/1.2/1.4% in 2024-26F with an unchanged DCF-based 12-month TP, using a 2024F base year, of Bt19. With a clear gross margin recovery from 2H23, we expect growth to resume this year, backed by sales from new stores and a gross margin turnaround. We estimate 11/16/15% EPS growth in 2024-26F. We reaffirm our BUY rating.

A clear gross margin turnaround

Hit by falling steel prices as steel products contribute 15% of sales, gross margin dropped y-y during 4Q22-2Q23. However, there has been a gross margin improvement q-q from 1Q23 towards 4Q23 as GLOBAL raised the selling prices of private-label products. Gross margin resumed its expansion y-y by 10bp to 25.86% in 3Q23 and a 133bp increase y-y in 4Q23 to 26.13%. We believe the fall of 26bp in 2023 to 25.5% was just a hiccup and estimate gross margin expansion of 32/37/37bp in 2024-26F to 25.9/26.2/26.6%, along with its private-brand sales mix rising from 24% in 2023 to 27% in 2026F.

Expecting earnings growth from 2Q24F

With a 40% building materials sales mix (the rest is decorative products) and 100% exposure to the provincial economy, GLOBAL's performance relies on government infrastructure projects and economic stimulus to boost upcountry spending. YTD, we expect same-store sales (SSS) to be less negative at -5% in 1Q24F, improving from -12.3% in 4Q23. We assume SSS of -5/-3/+2/+6% in 1Q-4Q24F. With sales contribution from six new branches opened last year, we expect total sales and net profit to resume growth y-y from 2Q24F.

Long-term provincial growth intact

GLOBAL's management said that modern-trade penetration of building materials and home-improvement stores outside of Bangkok stands at 30-40%, so it is continuing to expand to either new provinces or major provinces' secondary districts with store sizes of 12,000 sqm vs. the 20,000-22,000 sqm ones in the past. This year, it plans to open seven to eight branches to reach 90-91 stores (four in 1H24). We assume seven new branches open a year to reach 104 stores in 2026F.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	32,301	34,649	37,737	40,935
Net profit	2,671	2,978	3,462	3,972
Consensus NP	—	3,022	3,409	3,796
Diff frm cons (%)	—	(1.5)	1.6	4.6
Norm profit	2,671	2,978	3,462	3,972
Prev. Norm profit	—	2,974	3,421	3,916
Chg frm prev (%)	—	0.1	1.2	1.4
Norm EPS (Bt)	0.5	0.6	0.7	0.8
Norm EPS grw (%)	(24.5)	11.2	16.0	14.6
Norm PE (x)	32.3	29.1	25.1	21.9
EV/EBITDA (x)	24.3	22.4	19.8	17.6
P/BV (x)	3.7	3.4	3.1	2.8
Div yield (%)	1.0	1.2	1.4	1.6
ROE (%)	11.9	12.3	13.0	13.6
Net D/E (%)	41.4	38.7	32.5	27.6

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	16.70
Market Cap (US\$ m)	2,293.5
Listed Shares (m shares)	5,001.8
Free Float (%)	31.2
Avg Daily Turnover (US\$ m)	4.0
12M Price H/L (Bt)	18.56/14.23
Sector	Commerce
Major Shareholder	SCG Distribution Co.,Ltd 32.94%

Sources: Bloomberg, Company data, Thanachart estimates



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	2035F	Terminal value
EBITDA	4,312	4,851	5,431	6,007	6,651	7,334	8,000	8,737	9,357	9,839	10,339	10,858	
Free cash flow	945	1,924	2,150	3,008	4,275	5,397	6,035	6,784	8,279	8,925	9,332	9,755	171,860
PV of free cash flow	945	1,671	1,739	2,267	3,002	3,532	3,679	3,722	4,213	4,214	4,088	3,964	69,836
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	0.8												
WACC (%)	6.9												
Terminal growth (%)	2.0												
Enterprise value - add investments	108,871.0												
Net debt (2023A)	9,747.5												
Minority interest	308.0												
Equity value	98,815.5												
# of shares (m)	5,201.9												
Equity value / share (Bt)	19.00												

Investment: (Bt m)

Land @ Muang Thong Thani 2,000

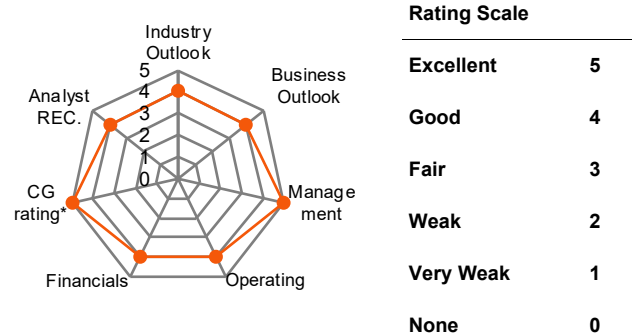
Sources: Company data, Thanachart estimates

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”. As of 2023, GLOBAL had 83 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, Bt259.00, 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

- Lower spending power 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)	16.95	19.00	12%
Net profit 24F (Bt m)	3,022	2,978	-1%
Net profit 25F (Bt m)	3,409	3,462	2%
Consensus REC	BUY: 7	HOLD: 9	SELL: 3

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profit estimates are in line with the Bloomberg consensus numbers.
- 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 last year aggressively.

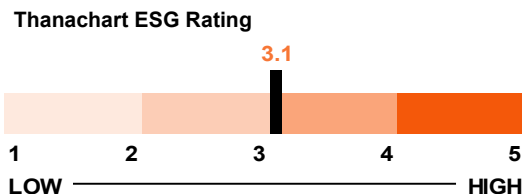
Sources: Bloomberg consensus, Thanachart estimates

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.
- Adverse fluctuations in steel prices.

Source: Thanachart

GLOBAL is a modern-trade retailer in the home-improvement segment. It has 83 “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.



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
GLOBAL	YES	AA	-	-	54.68	33.58	56.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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>ENVIRONMENT</p> <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> GLOBAL targets to reduce greenhouse gas (GHG) emissions (scope 1 and 2) by 10% from the 2022 base year by 2030. 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. By 2027, it targets to increase water recycling volume to 300,000 cubic meters per year from 250,560 cubic meters in 2022. GLOBAL established its “Love The Earth” shopping project by reducing plastic bag usage as part of its garbage and waste disposal campaign.
<p>SOCIAL</p> <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> 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. 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. 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.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> 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. 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. 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. Whistleblowing channels are provided for employees to make anonymous disclosures. Investigations are completed within seven days from the date of the complaint.

Sources: Company data, Thanachart

INCOME STATEMENT

We expect store expansion to be a key sales driver

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	35,270	32,301	34,649	37,737	40,935
Cost of sales	26,166	24,040	25,685	27,834	30,041
Gross profit	9,104	8,261	8,964	9,903	10,894
% gross margin	25.8%	25.6%	25.9%	26.2%	26.6%
Selling & administration expenses	5,352	5,524	5,925	6,378	6,836
Operating profit	3,753	2,737	3,039	3,525	4,058
% operating margin	10.6%	8.5%	8.8%	9.3%	9.9%
Depreciation & amortization	1,246	1,223	1,274	1,326	1,373
EBITDA	4,999	3,960	4,312	4,851	5,431
% EBITDA margin	14.2%	12.3%	12.4%	12.9%	13.3%
Non-operating income	709	713	765	833	904
Non-operating expenses	0	0	0	0	0
Interest expense	(193)	(282)	(267)	(230)	(211)
Pre-tax profit	4,269	3,168	3,537	4,129	4,751
Income tax	836	620	690	805	926
After-tax profit	3,433	2,548	2,847	3,323	3,825
% net margin	9.7%	7.9%	8.2%	8.8%	9.3%
Shares in affiliates' Earnings	120	130	143	157	171
Minority interests	(19)	(7)	(12)	(19)	(24)
Extraordinary items	(46)	0	0	0	0
NET PROFIT	3,487	2,671	2,978	3,462	3,972
Normalized profit	3,533	2,671	2,978	3,462	3,972
EPS (Bt)	0.7	0.5	0.6	0.7	0.8
Normalized EPS (Bt)	0.7	0.5	0.6	0.7	0.8

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	17,568	16,064	17,183	17,820	18,760
Cash & cash equivalent	1,189	1,149	1,456	1,534	1,589
Account receivables	631	757	949	1,034	1,122
Inventories	15,747	14,159	14,778	15,252	16,049
Others	0	0	0	0	0
Investments & loans	2,144	2,187	2,187	2,187	2,187
Net fixed assets	17,471	18,804	20,030	21,454	22,831
Other assets	1,965	2,002	2,060	2,136	2,215
Total assets	39,148	39,058	41,460	43,597	45,993
LIABILITIES:					
Current liabilities:	13,629	13,120	12,784	12,452	12,224
Account payables	2,311	3,043	2,815	3,050	3,292
Bank overdraft & ST loans	9,475	7,626	7,962	7,487	7,073
Current LT debt	1,512	2,195	1,706	1,604	1,516
Others current liabilities	331	256	301	310	343
Total LT debt	2,120	1,075	1,706	1,604	1,516
Others LT liabilities	1,307	1,315	1,372	1,389	1,407
Total liabilities	17,057	15,511	15,863	15,445	15,146
Minority interest	304	308	320	339	363
Preferreds shares	0	0	0	0	0
Paid-up capital	4,802	5,002	5,002	5,202	5,202
Share premium	4,739	4,739	4,739	4,739	4,739
Warrants	0	0	0	0	0
Surplus	(43)	(40)	(40)	(40)	(40)
Retained earnings	12,290	13,538	15,576	17,911	20,582
Shareholders' equity	21,788	23,239	25,277	27,812	30,483
Liabilities & equity	39,148	39,058	41,460	43,597	45,993

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	4,269	3,168	3,537	4,129	4,751
Tax paid	(856)	(697)	(645)	(796)	(894)
Depreciation & amortization	1,246	1,223	1,274	1,326	1,373
Chg In working capital	249	2,196	(1,040)	(323)	(643)
Chg In other CA & CL / minorities	88	123	145	157	172
Cash flow from operations	4,997	6,013	3,269	4,493	4,759
Capex	(1,618)	(2,556)	(2,500)	(2,750)	(2,750)
Right of use	51	53	3	3	3
ST loans & investments	(0)	(0)	0	0	0
LT loans & investments	(537)	(43)	0	0	0
Adj for asset revaluation	(89)	3	0	0	0
Chg In other assets & liabilities	(72)	(76)	(3)	(62)	(64)
Cash flow from investments	(2,266)	(2,619)	(2,500)	(2,809)	(2,811)
Debt financing	(2,142)	(2,211)	478	(679)	(591)
Capital increase	200	200	0	200	0
Dividends paid	(1,173)	(1,223)	(940)	(1,127)	(1,301)
Warrants & other surplus	(199)	(200)	0	0	0
Cash flow from financing	(3,313)	(3,434)	(462)	(1,606)	(1,892)
Free cash flow	3,378	3,457	769	1,743	2,009

GLOBAL has continued to open new stores

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	24.4	32.3	29.1	25.1	21.9
Normalized PE - at target price (x)	27.8	36.8	33.1	28.5	24.9
PE (x)	24.7	32.3	29.1	25.1	21.9
PE - at target price (x)	28.1	36.8	33.1	28.5	24.9
EV/EBITDA (x)	19.6	24.3	22.4	19.8	17.6
EV/EBITDA - at target price (x)	22.0	27.3	25.1	22.2	19.8
P/BV (x)	4.0	3.7	3.4	3.1	2.8
P/BV - at target price (x)	4.5	4.2	3.9	3.6	3.2
P/CFO (x)	17.3	14.4	26.5	19.3	18.3
Price/sales (x)	2.4	2.6	2.4	2.2	2.0
Dividend yield (%)	1.4	1.0	1.2	1.4	1.6
FCF Yield (%)	3.9	4.0	0.9	2.0	2.3
(Bt)					
Normalized EPS	0.7	0.5	0.6	0.7	0.8
EPS	0.7	0.5	0.6	0.7	0.8
DPS	0.2	0.2	0.2	0.2	0.3
BV/share	4.2	4.5	4.9	5.3	5.9
CFO/share	1.0	1.2	0.6	0.9	0.9
FCF/share	0.7	0.7	0.1	0.3	0.4

Sources: Company data, Thanachart estimates

Trading below its four-year average PE of 31x

FINANCIAL RATIOS

*We estimate double-digit
EPS growth to resume
from this year*

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	5.3	(8.4)	7.3	8.9	8.5
Net profit (%)	4.3	(23.4)	11.5	16.3	14.7
EPS (%)	4.0	(23.5)	11.2	16.0	14.6
Normalized profit (%)	5.7	(24.4)	11.5	16.3	14.7
Normalized EPS (%)	5.4	(24.5)	11.2	16.0	14.6
Dividend payout ratio (%)	33.6	31.4	35.0	35.0	35.0
Operating performance					
Gross margin (%)	25.8	25.6	25.9	26.2	26.6
Operating margin (%)	10.6	8.5	8.8	9.3	9.9
EBITDA margin (%)	14.2	12.3	12.4	12.9	13.3
Net margin (%)	9.7	7.9	8.2	8.8	9.3
D/E (incl. minor) (x)	0.6	0.5	0.4	0.4	0.3
Net D/E (incl. minor) (x)	0.5	0.4	0.4	0.3	0.3
Interest coverage - EBIT (x)	19.5	9.7	11.4	15.3	19.3
Interest coverage - EBITDA (x)	25.9	14.0	16.1	21.1	25.8
ROA - using norm profit (%)	9.0	6.8	7.4	8.1	8.9
ROE - using norm profit (%)	17.1	11.9	12.3	13.0	13.6
DuPont					
ROE - using after tax profit (%)	16.6	11.3	11.7	12.5	13.1
- asset turnover (x)	0.9	0.8	0.9	0.9	0.9
- operating margin (%)	12.6	10.7	11.0	11.5	12.1
- leverage (x)	1.9	1.7	1.7	1.6	1.5
- interest burden (%)	95.7	91.8	93.0	94.7	95.8
- tax burden (%)	80.4	80.4	80.5	80.5	80.5
WACC (%)	6.9	6.9	6.9	7.3	7.3
ROIC (%)	9.1	6.5	7.4	8.1	8.8
NOPAT (Bt m)	3,018	2,201	2,446	2,838	3,267
invested capital (Bt m)	33,706	32,987	35,195	36,974	38,999

Sources: Company data, Thanachart estimates

BUY (Unchanged)

TP: Bt 15.00 (Unchanged)

2 APRIL 2024

Company Update

Upside : 41.5%

Home Product Center (HMPRO TB)

Sustainable-growth stock



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HMPRO is well established as the largest home improvement retailer with a highly sustainable growth profile. Though growth slows due to its large sales base and already extensive store network, HMPRO has been de-rated to 20x 2024F PE vs. 30x in 2015-19.

Reaffirming BUY

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. We reaffirm our BUY rating on HMPRO with a DCF-based 12-month TP, using a 2024F base year, of Bt15. **First**, challenged by the slow economy, rising electricity costs, and store expansion costs last year, HMPRO delivered 4% net profit growth to a record-high profit of Bt6.4bn in 2023. **Second**, a rapid same-store sales (SSS) recovery has been flat YTD, while its performance is less linked to the sluggish China and global economies vs. those of its peers. **Third**, we expect record profit to continue at an 11% EPS CAGR in 2024-26F. **Lastly**, its valuation has been de-rated to a 19.5x 2024F PE multiple vs. its 29.5x five-year pre-COVID level in 2015-19.

Recovery underway YTD

HomePro stores' SSS has improved sharply q-q from -8% in 4Q23 to flat in 1Q24F. This is better than home improvement peers that sell more building materials concentrating on provincial markets, i.e., Dohome Pcl (DOHOME TB, Bt11.00, BUY) with a forecasted -10% SSS in 1Q24 and Siam Global House Pcl (GLOBAL TB, Bt16.70, BUY) with -5% SSS in 1Q24. HomePro, which sells more decorative items with a higher Bangkok exposure, is less reliant on government infrastructure projects and also benefitted from the Easy E-Receipt tax rebate campaign, which generated an additional Bt200-300m in sales, or 1-2% of 1Q23 sales. We expect its Mega Home business to see an SSS decline of -3% in 1Q24F.

An 11% three-year EPS CAGR

HMPRO has the largest home-improvement store network, comprising 121 domestic branches (27 of them are Mega Home) and seven branches in Malaysia in 2023. With already large sales and store base, we project moderate EPS growth of 11% p.a. in 2024-26F from continuing branch expansion, mainly of Mega Home, and expanding gross margin from a higher portion of house brands (currently at 21% for HomePro and Mega Home to a 25% target) along with scale benefits.

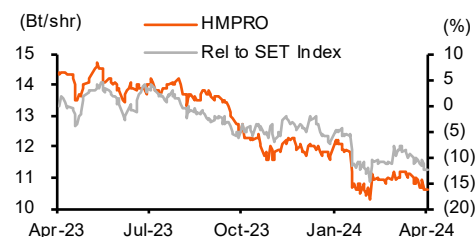
De-rated valuation

At the current price, HMPRO trades at a 19.5x 2024F PE multiple, nearly 2STD below the mean of its 29.5x five-year pre-COVID average during 2015-19. This offers an attractive entry point, in our view, as its PE has come down to reflect its slower growth outlook. HMPRO's 2024F PE is lower than DOHOME's 45x and GLOBAL's 29x.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	70,166	77,387	83,772	89,801
Net profit	6,442	7,146	7,864	8,763
Consensus NP	—	7,020	7,611	8,146
Diff frm cons (%)	—	1.8	3.3	7.6
Norm profit	6,442	7,146	7,864	8,763
Prev. Norm profit	—	7,146	7,864	8,763
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	0.5	0.5	0.6	0.7
Norm EPS grw (%)	3.6	10.9	10.0	11.4
Norm PE (x)	21.6	19.5	17.7	15.9
EV/EBITDA (x)	12.6	11.3	10.4	9.5
P/BV (x)	5.5	5.3	4.9	4.6
Div yield (%)	3.8	4.1	4.5	5.0
ROE (%)	25.9	27.1	28.8	29.9
Net D/E (%)	44.5	36.9	36.8	33.5

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	10.60
Market Cap (US\$ m)	3,827.6
Listed Shares (m shares)	13,151.2
Free Float (%)	40.9
Avg Daily Turnover (US\$ m)	7.1
12M Price H/L (Bt)	14.70/10.30
Sector	Commerce
Major Shareholder	Land & Houses 30.23%

Sources: Bloomberg, Company data, Thanachart estimates



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	2035F	Terminal Value
EBITDA	12,960	14,106	15,496	16,858	18,130	19,464	20,787	21,900	23,070	24,267	25,380	26,539	
Free cash flow	5,944	6,083	7,498	10,339	11,876	12,961	15,528	16,416	17,352	18,807	19,692	21,111	322,258
PV of free cash flow	5,944	5,195	5,918	7,541	8,004	8,073	8,938	8,432	8,199	8,176	7,877	7,770	118,608
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	0.9												
WACC (%)	7.7												
Terminal growth (%)	2.0												
Enterprise value - add	208,674												
Net debt	11,374												
Minority interest	0												
Equity value	197,301												
# of shares (m)	13,151												
Equity value/share (Bt)	15.00												

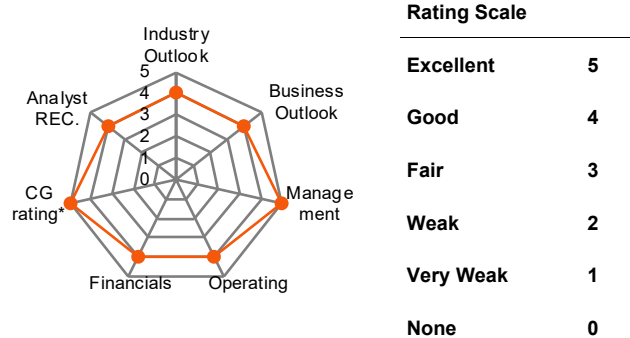
Source: Thanachart estimates

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 outlets, and it offers a full range of services from design to maintenance, installation, and improvement. It operated 89 HomePro stores nationwide, seven Malaysia branches, five HomePro S stores, and 27 Mega Home outlets as of 2023. 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)	14.46	15.00	4%
Net profit 24F (Bt m)	7,020	7,146	2%
Net profit 25F (Bt m)	7,611	7,864	3%
Consensus REC	BUY: 25	HOLD: 2	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profits for 2024-25F are largely in line with the Street.
- Our DCF-based TP is in line with the Bloomberg consensus.

Sources: Bloomberg consensus, Thanachart estimates

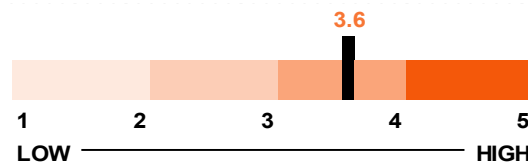
RISKS TO OUR INVESTMENT CASE

- 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 the leading home-improvement retailer with 89 large HomePro branches and five HomePro S outlets in Thailand, and seven HomePro stores in Malaysia. It also has 27 rural-model home construction material outlets under Mega Home stores. Our ESG score is 3.62, in the top of the sector range, as HMPRO is dedicated to ESG issues with a clear roadmap.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
HMPRO	YES	AA	YES	AA	67.10	65.09	79.00	37.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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

- 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, at 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 be responsible for receiving business ethics complaints, which employees can send directly by post or email.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	66,811	70,166	77,387	83,772	89,801
Cost of sales	48,783	50,904	56,045	60,512	64,713
Gross profit	18,029	19,262	21,342	23,260	25,088
% gross margin	27.0%	27.5%	27.6%	27.8%	27.9%
Selling & administration expenses	12,519	13,401	14,815	16,098	17,019
Operating profit	8,088	8,516	9,449	10,327	11,462
% operating margin	12.1%	12.1%	12.2%	12.3%	12.8%
Depreciation & amortization	3,156	3,431	3,792	4,060	4,316
EBITDA	11,244	11,948	13,242	14,388	15,778
% EBITDA margin	16.8%	17.0%	17.1%	17.2%	17.6%
Non-operating income	2,595	2,684	2,950	3,192	3,422
Non-operating expenses	(0)	(2)	0	0	0
Interest expense	(445)	(567)	(600)	(585)	(606)
Pre-tax profit	7,660	7,975	8,877	9,769	10,885
Income tax	1,441	1,533	1,731	1,905	2,123
After-tax profit	6,219	6,442	7,146	7,864	8,763
% net margin	9.3%	9.2%	9.2%	9.4%	9.8%
Shares in affiliates' Earnings	(2)	(1)	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
NET PROFIT	6,217	6,442	7,146	7,864	8,763
Normalized profit	6,217	6,442	7,146	7,864	8,763
EPS (Bt)	0.5	0.5	0.5	0.6	0.7
Normalized EPS (Bt)	0.5	0.5	0.5	0.6	0.7

We estimate an 11% EPS CAGR in 2024-26F with a larger Mega Home contribution

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	21,430	22,659	23,353	25,283	26,882
Cash & cash equivalent	5,420	6,429	5,500	6,000	6,500
Account receivables	2,069	2,115	2,332	2,525	2,460
Inventories	13,630	13,965	15,355	16,579	17,730
Others	311	150	166	179	192
Investments & loans	0	0	0	0	0
Net fixed assets	29,469	31,179	33,668	35,889	37,855
Other assets	14,286	15,210	15,577	15,830	16,054
Total assets	65,185	69,048	72,597	77,002	80,791
LIABILITIES:					
Current liabilities:	24,485	23,579	26,291	28,239	29,872
Account payables	15,812	15,225	17,658	19,066	20,389
Bank overdraft & ST loans	1,074	2,040	1,525	1,639	1,667
Current LT debt	5,174	4,020	4,117	4,426	4,500
Others current liabilities	2,425	2,295	2,991	3,109	3,317
Total LT debt	9,056	11,743	9,607	10,326	10,500
Others LT liabilities	7,398	8,167	10,305	10,183	10,053
Total liabilities	40,939	43,489	46,203	48,748	50,425
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	(25)	(25)	(25)	(25)	(25)
Retained earnings	10,473	11,786	12,621	14,481	16,593
Shareholders' equity	24,246	25,559	26,394	28,254	30,366
Liabilities & equity	65,185	69,048	72,597	77,002	80,791

Working capital looks manageable despite the expansion of many of its formats

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	7,660	7,975	8,877	9,769	10,885
Tax paid	(1,277)	(1,592)	(1,624)	(1,878)	(2,059)
Depreciation & amortization	3,156	3,431	3,792	4,060	4,316
Chg In working capital	387	(968)	826	(9)	237
Chg In other CA & CL / minorities	(176)	(6)	433	(61)	(11)
Cash flow from operations	9,750	8,840	12,305	11,882	13,368
Capex	(5,041)	(5,142)	(6,000)	(6,000)	(6,000)
Right of use	(1,788)	(906)	(45)	(2)	(2)
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	869	846	1,675	(518)	(491)
Cash flow from investments	(5,960)	(5,202)	(4,370)	(6,520)	(6,493)
Debt financing	1,946	2,499	(2,553)	1,142	276
Capital increase	0	0	0	0	0
Dividends paid	(4,866)	(5,129)	(5,489)	(6,004)	(6,651)
Warrants & other surplus	69	0	(822)	0	0
Cash flow from financing	(2,851)	(2,630)	(8,864)	(4,862)	(6,375)
Free cash flow	4,709	3,698	6,305	5,882	7,368

Rising capex to fund HomePro and Mega Home stores

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	22.4	21.6	19.5	17.7	15.9
Normalized PE - at target price (x)	31.7	30.6	27.6	25.1	22.5
PE (x)	22.4	21.6	19.5	17.7	15.9
PE - at target price (x)	31.7	30.6	27.6	25.1	22.5
EV/EBITDA (x)	13.3	12.6	11.3	10.4	9.5
EV/EBITDA - at target price (x)	18.4	17.5	15.6	14.4	13.1
P/BV (x)	5.7	5.5	5.3	4.9	4.6
P/BV - at target price (x)	8.1	7.7	7.5	7.0	6.5
P/CFO (x)	14.3	15.8	11.3	11.7	10.4
Price/sales (x)	2.1	2.0	1.8	1.7	1.6
Dividend yield (%)	3.6	3.8	4.1	4.5	5.0
FCF Yield (%)	3.4	2.7	4.5	4.2	5.3
(Bt)					
Normalized EPS	0.5	0.5	0.5	0.6	0.7
EPS	0.5	0.5	0.5	0.6	0.7
DPS	0.4	0.4	0.4	0.5	0.5
BV/share	1.8	1.9	2.0	2.1	2.3
CFO/share	0.7	0.7	0.9	0.9	1.0
FCF/share	0.4	0.3	0.5	0.4	0.6

Sources: Company data, Thanachart estimates

De-rated PE vs its 30x pre-COVID level in 2015-19

FINANCIAL RATIOS

	FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate						
<i>Sustainable earnings growth with record profits continuing</i>	Sales (%)	8.1	5.0	10.3	8.3	7.2
	Net profit (%)	14.3	3.6	10.9	10.0	11.4
	EPS (%)	14.3	3.6	10.9	10.0	11.4
	Normalized profit (%)	14.3	3.6	10.9	10.0	11.4
	Normalized EPS (%)	14.3	3.6	10.9	10.0	11.4
	Dividend payout ratio (%)	80.4	81.7	80.0	80.0	80.0
Operating performance						
	Gross margin (%)	27.0	27.5	27.6	27.8	27.9
	Operating margin (%)	12.1	12.1	12.2	12.3	12.8
	EBITDA margin (%)	16.8	17.0	17.1	17.2	17.6
	Net margin (%)	9.3	9.2	9.2	9.4	9.8
	D/E (incl. minor) (x)	0.6	0.7	0.6	0.6	0.5
	Net D/E (incl. minor) (x)	0.4	0.4	0.4	0.4	0.3
	Interest coverage - EBIT (x)	18.2	15.0	15.8	17.6	18.9
	Interest coverage - EBITDA (x)	25.3	21.1	22.1	24.6	26.0
	ROA - using norm profit (%)	10.0	9.6	9.8	10.5	11.1
	ROE - using norm profit (%)	26.4	25.9	27.1	28.8	29.9
DuPont						
<i>A high ROE business</i>	ROE - using after tax profit (%)	26.4	25.9	27.1	28.8	29.9
	- asset turnover (x)	1.1	1.0	1.1	1.1	1.1
	- operating margin (%)	12.1	12.2	12.2	12.4	12.8
	- leverage (x)	2.6	2.7	2.8	2.7	2.7
	- interest burden (%)	94.5	93.4	93.7	94.3	94.7
	- tax burden (%)	81.2	80.8	80.5	80.5	80.5
	WACC (%)	7.7	7.7	7.7	8.2	8.2
	ROIC (%)	20.7	20.2	20.6	23.0	23.9
	NOPAT (Bt m)	6,566	6,880	7,607	8,313	9,227
	invested capital (Bt m)	34,129	36,932	36,143	38,645	40,533

Sources: Company data, Thanachart estimates

BUY (Unchanged)

TP: Bt 15.00

(Unchanged)

Change in Numbers

Upside : 16.3%

2 APRIL 2024

MC GROUP Pcl (MC TB)

A good dividend play

In spite of a full earnings recovery in FY23 with profit already surpassing FY19's, we project growth to continue at a 16% EPS CAGR in FY24-26F from continued store expansion, mainly Mc Outlets, growing online sales from TikTok and new non-denim products. MC also pays a high dividend of 7-8% in FY24-25F.



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Fine-tuning our earnings

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. We trim our earnings for MC by 1/3/3% in FY24-26F on lower same-store sales (SSS) growth of 3.8/3.0% in FY24-25F (from 5% p.a. previously) to reflect the weak consumption environment and its policy of doing fewer promotional campaigns as slow-moving inventory has declined to 10-15% of the total. Our DCF-based 12-month TP, using a 2024F base year, remains unchanged at Bt15/share. We maintain our BUY call on MC as we view it as the least expensive retail stock, trading at 14/12x FY24-25F PE multiples with a 16% EPS CAGR in FY24-26F and high dividend yields of 6.9/8.3% in FY24-25F.

Mc Outlet expansion continues

Mc Outlets have been successful since their introduction in 2021, bringing sales/store up by 2-3x vs. the old-format mcmc shops in PTT gas stations. As of 2QFY24 (ending December 2023), there were 126 Mc Outlets, or 22% of its total 561 domestic points of sale. There is still room to open more Mc Outlets to reach an initial target of 200 branches, or 10% of total PTT gas stations nationwide, but locations will be more selective. We assume 40/40/8 total store openings in FY24-26F, mostly Mc Outlets.

More high-margin non-denim products

Despite being an apparel retailer with 45% of sales from jeans pre-COVID, MC's same-store sales (SSS) in FY23 recovered and were 4% above the pre-COVID level. This was due to the launch of its new store format, Mc Outlet, and more product launches of non-denim goods such as T-shirts, hoodies, slippers, and recently underwear. Currently, the non-denim sales mix has risen to 60%. Higher non-denim sales are also supported by its TikTok channel launched in January 2023 and which drove 1HFY24 online sales growth of 50% y-y to 10.5% of total sales. This has expanded its customer base to new target groups and to younger generations. Gross margin rose from 59.5% in FY19 to 64.8% in FY23, and we expect a slight rise to 64.9/65.2% in FY26-27F.

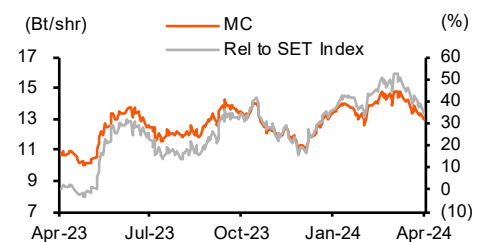
A 16% three-year EPS CAGR

Bolstered by its swift sales recovery to the pre-COVID level, aggressive store expansion (mainly the low-occupancy-cost MC Outlet stores), and product diversification into non-denim and non-apparel goods with higher gross margins, we estimate a 16% EPS CAGR in FY24-26F. With no interest-bearing debt, this supports a normal payout of nearly 100%. We expect DPS of Bt0.89/1.07 for FY24-25F or dividend yields of 6.9-8.3%.

COMPANY VALUATION

Y/E Jun (Bt m)	2023A	2024F	2025F	2026F
Sales	3,670	4,113	4,582	5,021
Net profit	644	730	865	1,005
Consensus NP	—	708	794	851
Diff frm cons (%)	—	3.2	9.0	18.1
Norm profit	644	730	865	1,005
Prev. Norm profit	—	741	895	1,038
Chg frm prev (%)	—	(1.4)	(3.4)	(3.2)
Norm EPS (Bt)	0.8	0.9	1.1	1.3
Norm EPS grw (%)	32.5	13.5	18.4	16.1
Norm PE (x)	15.9	14.0	11.8	10.2
EV/EBITDA (x)	7.2	7.3	6.5	5.8
P/BV (x)	2.7	2.7	2.6	2.6
Div yield (%)	6.3	6.9	8.3	9.8
ROE (%)	17.4	19.5	22.6	25.7
Net D/E (%)	(46.4)	(42.9)	(44.1)	(45.7)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	12.90
Market Cap (US\$ m)	280.5
Listed Shares (m shares)	792.0
Free Float (%)	51.7
Avg Daily Turnover (US\$ m)	0.9
12M Price H/L (Bt)	14.70/9.95
Sector	Commerce
Major Shareholder	Miss Sunee Seripanu 43.82%

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	FY35F	Terminal value
EBITDA	992	1,158	1,328	1,446	1,596	1,719	1,874	2,040	2,177	2,322	2,476	2,639	
Free cash flow	594	907	1,056	1,110	1,235	1,332	1,457	1,590	1,700	1,463	1,590	1,725	15,108
PV of free cash flow	594	709	729	677	666	635	614	571	537	407	389	371	3,253
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	12.6												
Terminal growth (%)	2.0												
Enterprise value	10,152												
Net debt (end-FY23)	(1,727)												
Minority interest	2												
Equity value	11,876												
# of shares (m)	792												
Equity value / share (Bt)	15.00												

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

COMPANY RATING



Rating Scale

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

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- 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.

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.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	15.90	15.00	-6%
Net profit 24F (Bt m)	708	730	3%
Net profit 25F (Bt m)	794	865	9%
Consensus REC	BUY: 6	HOLD: 0	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our FY24-25F net profits are 3-9% above the Street numbers, likely due to us having higher new store and net margin assumptions driven by Mc Outlet and non-denim goods.
- Our DCF-based TP is below other brokers’, likely because we assume slower expansion from FY26F.

Sources: Bloomberg consensus, Thanachart estimates

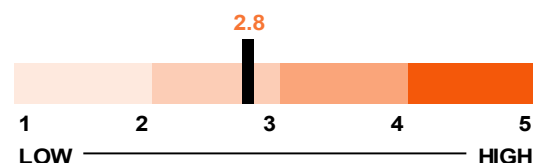
RISKS TO OUR INVESTMENT CASE

- 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, 561 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.

Thanachart ESG Rating



	SET ESG Index	SET ESG Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
MC	YES	AA	-	-	-	-	18.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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

- 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.
- 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.
- 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.

SOCIAL

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

- 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.
- 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.
- MC says it cares about employee safety and conforms to ISO45001.

GOVERNANCE & SUSTAINABILITY

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

- 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.
- MC says it conducts its business with ethics, transparency, and credibility, focusing on business sustainability to maximize share value and distribute dividends regularly.
- 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.
- MC sells apparel to address the needs of consumers of all genders, ages, and lifestyles, including offering antibacterial and water-repellent innovations.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Jun (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	2,923	3,670	4,113	4,582	5,021
Cost of sales	1,031	1,291	1,468	1,622	1,763
Gross profit	1,892	2,379	2,645	2,960	3,259
% gross margin	64.7%	64.8%	64.3%	64.6%	64.9%
Selling & administration expenses	1,306	1,587	1,747	1,902	2,036
Operating profit	586	792	898	1,058	1,223
% operating margin	20.0%	21.6%	21.8%	23.1%	24.4%
Depreciation & amortization	378	387	283	254	223
EBITDA	964	1,179	1,180	1,313	1,446
% EBITDA margin	33.0%	32.1%	28.7%	28.6%	28.8%
Non-operating income	26	27	40	46	52
Non-operating expenses	0	0	0	0	0
Interest expense	(20)	(20)	(24)	(23)	(20)
Pre-tax profit	592	799	913	1,081	1,256
Income tax	107	153	183	216	251
After-tax profit	485	646	730	865	1,005
% net margin	16.6%	17.6%	17.8%	18.9%	20.0%
Shares in affiliates' Earnings	(1)	(2)	0	0	0
Minority interests	1	0	0	0	0
Extraordinary items	0	0	0	0	0
NET PROFIT	486	644	730	865	1,005
Normalized profit	486	644	730	865	1,005
EPS (Bt)	0.6	0.8	0.9	1.1	1.3
Normalized EPS (Bt)	0.6	0.8	0.9	1.1	1.3

A 16% EPS CAGR in FY24-26F

BALANCE SHEET

FY ending Jun (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	3,406	3,231	3,147	3,202	3,341
Cash & cash equivalent	1,995	1,727	1,612	1,680	1,781
Account receivables	203	203	282	314	344
Inventories	1,200	1,294	1,247	1,200	1,207
Others	7	7	7	8	9
Investments & loans	21	18	18	18	18
Net fixed assets	359	697	728	752	709
Other assets	1,276	1,425	1,334	1,279	1,257
Total assets	5,062	5,371	5,227	5,252	5,325
LIABILITIES:					
Current liabilities:	734	855	753	754	787
Account payables	300	417	322	356	386
Bank overdraft & ST loans	0	0	(9)	(23)	(22)
Current LT debt	0	0	(0)	(0)	(0)
Others current liabilities	434	438	441	422	423
Total LT debt	0	0	(0)	(0)	(0)
Others LT liabilities	653	795	696	631	590
Total liabilities	1,387	1,650	1,449	1,385	1,377
Minority interest	10	2	2	2	2
Preferreds shares	0	0	0	0	0
Paid-up capital	396	396	396	396	396
Share premium	2,825	2,825	2,825	2,825	2,825
Warrants	0	0	0	0	0
Surplus	25	13	13	13	13
Retained earnings	419	485	542	630	711
Shareholders' equity	3,665	3,719	3,776	3,865	3,946
Liabilities & equity	5,062	5,371	5,227	5,252	5,325

Inventory is well under control, on our forecasts

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Jun (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	592	799	913	1,081	1,256
Tax paid	(71)	(137)	(180)	(208)	(246)
Depreciation & amortization	378	387	283	254	223
Chg In working capital	67	23	(126)	49	(7)
Chg In other CA & CL / minorities	(19)	(2)	(3)	(28)	(5)
Cash flow from operations	947	1,070	886	1,149	1,221
Capex	(89)	(420)	(125)	(125)	(61)
Right of use	(36)	(422)	(42)	(42)	(42)
ST loans & investments	0	0	0	0	0
LT loans & investments	4	2	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(283)	91	(151)	(123)	(95)
Cash flow from investments	(403)	(749)	(318)	(290)	(198)
Debt financing	0	0	(10)	(14)	1
Capital increase	(4)	0	0	0	0
Dividends paid	(412)	(582)	(674)	(776)	(923)
Warrants & other surplus	3	(7)	0	0	0
Cash flow from financing	(412)	(590)	(683)	(790)	(922)
Free cash flow	858	649	761	1,024	1,160

VALUATION

FY ending Jun	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	21.0	15.9	14.0	11.8	10.2
Normalized PE - at target price (x)	24.5	18.5	16.3	13.7	11.8
PE (x)	21.0	15.9	14.0	11.8	10.2
PE - at target price (x)	24.5	18.5	16.3	13.7	11.8
EV/EBITDA (x)	8.5	7.2	7.3	6.5	5.8
EV/EBITDA - at target price (x)	10.3	8.6	8.7	7.8	7.0
P/BV (x)	2.8	2.7	2.7	2.6	2.6
P/BV - at target price (x)	3.2	3.2	3.1	3.1	3.0
P/CFO (x)	10.8	9.6	11.5	8.9	8.4
Price/sales (x)	3.5	2.8	2.5	2.2	2.0
Dividend yield (%)	4.7	6.3	6.9	8.3	9.8
FCF Yield (%)	8.4	6.4	7.5	10.0	11.4
(Bt)					
Normalized EPS	0.6	0.8	0.9	1.1	1.3
EPS	0.6	0.8	0.9	1.1	1.3
DPS	0.6	0.8	0.9	1.1	1.3
BV/share	4.6	4.7	4.8	4.9	5.0
CFO/share	1.2	1.4	1.1	1.5	1.5
FCF/share	1.1	0.8	1.0	1.3	1.5

*High dividend yields,
based on our estimates*

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Jun	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	(9.2)	25.6	12.1	11.4	9.6
Net profit (%)	9.0	32.5	13.5	18.4	16.1
EPS (%)	9.0	32.5	13.5	18.4	16.1
Normalized profit (%)	9.0	32.5	13.5	18.4	16.1
Normalized EPS (%)	9.0	32.5	13.5	18.4	16.1
Dividend payout ratio (%)	98.8	99.7	96.6	97.9	99.6
Operating performance					
Gross margin (%)	64.7	64.8	64.3	64.6	64.9
Operating margin (%)	20.0	21.6	21.8	23.1	24.4
EBITDA margin (%)	33.0	32.1	28.7	28.6	28.8
Net margin (%)	16.6	17.6	17.8	18.9	20.0
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)	(0.4)	(0.4)	(0.5)
Interest coverage - EBIT (x)	28.6	39.6	36.9	46.7	62.2
Interest coverage - EBITDA (x)	47.1	58.9	48.5	57.9	73.6
ROA - using norm profit (%)	9.5	12.3	13.8	16.5	19.0
ROE - using norm profit (%)	13.4	17.4	19.5	22.6	25.7
DuPont					
ROE - using after tax profit (%)	13.4	17.5	19.5	22.6	25.7
- asset turnover (x)	0.6	0.7	0.8	0.9	0.9
- operating margin (%)	20.9	22.3	22.8	24.1	25.4
- leverage (x)	1.4	1.4	1.4	1.4	1.4
- interest burden (%)	96.7	97.6	97.4	97.9	98.5
- tax burden (%)	82.0	80.9	80.0	80.0	80.0
WACC (%)	12.6	12.6	12.6	13.1	13.1
ROIC (%)	27.8	38.4	36.1	39.3	45.3
NOPAT (Bt m)	480	640	718	847	979
invested capital (Bt m)	1,669	1,992	2,155	2,161	2,143

Sources: Company data, Thanachart estimates

BUY (Unchanged)

TP: Bt 70.00 (Unchanged)

2 APRIL 2024

Company Update

Upside : 26.7%

Moshi Moshi Retail Corp. (MOSHI TB)

Capturing new segments



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We reaffirm our BUY on MOSHI as a high-quality, early-cycle growth stock. While its original lifestyle retail shops remain in expansion mode, MOSHI is adding new store formats to capture new market segments. We forecast a 35% three-year EPS CAGR.

An early-cycle growth stock

This report is a part of *Retail Sector – A new expansion model*, dated 2 April 2024. We reaffirm our BUY on MOSHI as an early-cycle growth stock with a DCF-based 12-month (2024F base year) TP of Bt70. **First**, there are only a few major players in the lifestyle retail industry and MOSHI, already a leader, still has only 131 stores. We see plenty of growth opportunities. **Second**, while continuing to expand its main “Moshi” stores in malls and hypermarkets, MOSHI is expanding into new store formats, i.e., Garlic and Moshi standalones, to expand its product and demand segments. **Third**, we expect both top-line growth and margin expansion to drive ROE to 33.2% in 2026F from 22.4% in 2023. **Lastly**, with an outlook of 32/39/35% EPS growth in 2024-26F with high and rising ROE, we argue that MOSHI’s PEs of 34/25x in 2024-25F are inexpensive.

New store formats

MOSHI’s main Moshi stores sell lifestyle products, including gifts and stationery. Last year it introduced Garlic stores to capture a more premium product segment, including home décor products. Some 80% of Garlic products are imported goods with a gross margin of 60% vs. 57% for Moshi retail stores. It opened three Garlic branches last year and plans for four more this year. MOSHI is also expanding into another store format, Moshi standalones, to capture demand in school and university communities. It opened a branch in February this year in Chiang Rai near Mae Fah Luang University. Sales per sqm are higher for the standalone store with a similar gross margin to Moshi stores in malls.

A 35% EPS CAGR in 2024-26F

We estimate a 35% EPS CAGR in 2024-26F. Key drivers are store expansions and rising margins. We expect MOSHI to add 31/36/36 new branches in 2024-26F (from 131 stores at the end of 2023) in all three formats: Moshi retail stores, Moshi standalone stores, and Garlic home décor stores. We also project gross margin to rise from 53.4% in 2023 to 56.4% in 2026F due to a rising imported product mix and expanding new product categories, including new licensed cartoon characters and new product collaborations.

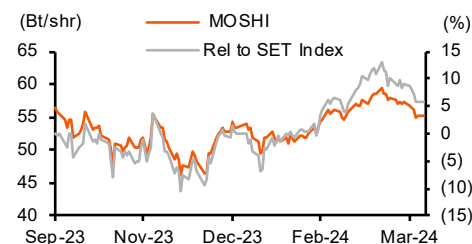
Rising ROE

We estimate MOSHI’s ROE to rise from 22.4% in 2023 to 33.2% in 2026F, boosted by scale benefits and rising gross margin. Drivers are 1) its higher-margin imported products mix rising to 62% in 2026F from 57% last year, 2) gross margin from the newly acquired wholesale shop, OK Station, rising by adjusting its product mix also toward imported products, and 3) a rising sales proportion from Garlic stores (from 0.2% of sales in 2023 to 3.1% in 2026F) which have a higher gross margin than normal Moshi stores.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	2,530	3,024	3,751	4,619
Net profit	402	530	738	995
Consensus NP	—	513	661	908
Diff frm cons (%)	—	3.2	11.7	9.6
Norm profit	402	530	738	995
Prev. Norm profit	—	530	738	995
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	1.2	1.6	2.2	3.0
Norm EPS grw (%)	28.3	31.9	39.4	34.7
Norm PE (x)	45.4	34.4	24.7	18.3
EV/EBITDA (x)	21.8	17.8	13.7	10.6
P/BV (x)	9.2	8.0	6.7	5.6
Div yield (%)	1.1	1.4	2.0	2.7
ROE (%)	22.4	23.2	29.6	33.2
Net D/E (%)	(4.8)	(7.7)	(14.6)	(24.3)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Apr-24 (Bt)	55.25
Market Cap (US\$ m)	500.6
Listed Shares (m shares)	330.0
Free Float (%)	47.2
Avg Daily Turnover (US\$ m)	1.2
12M Price H/L (Bt)	60.00/39.25
Sector	Commerce
Major Shareholder	Boonsongkor Family 57.2%

Sources: Bloomberg, Company data, Thanachart estimates



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	2035F	Terminal Value
EBITDA	782	1,051	1,380	1,718	2,098	2,519	2,987	3,508	4,085	4,725	5,432	6,212	
Free cash flow	432	642	896	1,181	1,481	1,812	2,182	2,594	3,051	3,557	4,117	4,735	47,928
PV of free cash flow	432	516	645	762	856	939	1,013	1,042	1,093	1,137	1,174	1,205	12,195
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.1												
WACC (%)	11.1												
Terminal growth (%)	2.0												
Enterprise value - add	23,008												
Net debt	(95)												
Minority interest	0												
Equity value	23,103												
# of shares (m)	330												
Equity value/share (Bt)	70												

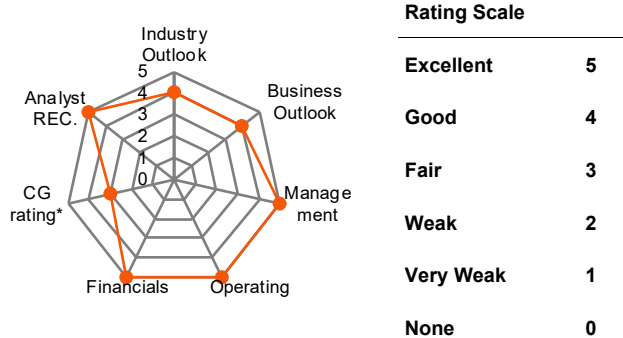
Source: Thanachart estimates

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 40% sales market share in 2022. As of 4Q23, it had 131 branches 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)	64.24	70.00	9%
Net profit 24F (Bt m)	513	530	3%
Net profit 25F (Bt m)	661	738	12%
Consensus REC	BUY: 4	HOLD: 2	SELL: 0

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.

HOW ARE WE DIFFERENT FROM THE STREET?

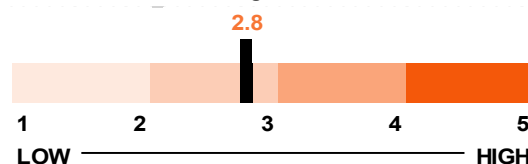
- Our 2024-25F net profits are 3-12% higher than the Bloomberg consensus numbers, likely due to our higher new store and gross margin assumptions.
- Our TP is 9% above the Street's, which we attribute to us being more confident in its long-term branch and product expansions.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

MOSHI operates lifestyle product shops under the company's brand "Moshi Moshi". As of 4Q23, it had 131 branches with over 22,000 product SKUs and one warehouse. We assign MOSHI an ESG score of 2.8, which is below the retail sector average. This reflects a lack of concrete targets for overall ESG issues.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
MOSHI	-	-	-	-	-	-	-	-	3.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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>ENVIRONMENT</p> <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> MOSHI has no factories. It doesn't directly generate much greenhouse gas (GHG), but it is committed to reducing emissions by ensuring that freight vehicles are in a ready-to-use condition to prevent incomplete fuel combustion while it also has energy efficiency campaigns. MOSHI reduces material consumption and office supplies by reuse or recycling. MOSHI uses durable packaging instead of disposable packaging to save resources and reduce waste. MOSHI disposes of waste and hazardous waste properly to reduce pollution. MOSHI designs and produces products from environmentally friendly materials.
<p>SOCIAL</p> <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> MOSHI supports and respects human rights. It treats employees equitably and fairly and promotes the employment of local workers, the disadvantaged, and the disabled. It has a non-discriminatory policy toward racial differences, religion, gender, age, education, beliefs, and any other matters. MOSHI provides employees with benefits, safety, and hygiene in the workplace to ensure work satisfaction. MOSHI offers personnel development by organizing continuous training to promote the abilities of employees. MOSHI joins community, school, and government organization activities to engage and make the community environment more livable.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> There are ten members on its Board of Directors (BOD), of whom four are independent directors, and five are family members. MOSHI is committed to growing its business via corporate governance to ensure that the company and its subsidiaries operate with efficiency, fairness, transparency, and morality. The risk-management process is based on a good framework, in our view, comprising risk identification and risk assessment covering internal and external factors that may prevent its operations from achieving its goals, including risks pertaining to strategy, finance, operations, legal, and regulatory compliance.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	1,890	2,530	3,024	3,751	4,619
Cost of sales	899	1,180	1,381	1,671	2,016
Gross profit	991	1,350	1,643	2,080	2,603
% gross margin	52.4%	53.4%	54.3%	55.5%	56.4%
Selling & administration expenses	654	815	938	1,110	1,307
Operating profit	337	535	705	970	1,296
% operating margin	17.8%	21.1%	23.3%	25.9%	28.1%
Depreciation & amortization	279	296	312	331	345
EBITDA	616	831	1,017	1,301	1,641
% EBITDA margin	32.6%	32.9%	33.6%	34.7%	35.5%
Non-operating income	6	14	15	17	18
Non-operating expenses	6	15	13	15	16
Interest expense	(27)	(53)	(63)	(67)	(71)
Pre-tax profit	322	510	671	935	1,259
Income tax	69	108	141	196	264
After-tax profit	253	402	530	738	995
% net margin	13.4%	15.9%	17.5%	19.7%	21.5%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
NET PROFIT	253	402	530	738	995
Normalized profit	253	402	530	738	995
EPS (Bt)	0.9	1.2	1.6	2.2	3.0
Normalized EPS (Bt)	0.9	1.2	1.6	2.2	3.0

A growth stock with a 35% three-year EPS CAGR

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	1,221	1,624	1,911	2,332	2,965
Cash & cash equivalent	756	95	177	396	797
Account receivables	9	12	15	18	23
Inventories	404	422	511	618	746
Others	52	1,095	1,209	1,299	1,400
Investments & loans	6	6	6	6	6
Net fixed assets	706	717	820	918	1,014
Other assets	868	1,296	1,405	1,506	1,595
Total assets	2,801	3,643	4,142	4,762	5,581
LIABILITIES:					
Current liabilities:	527	601	758	853	1,012
Account payables	224	283	341	412	497
Bank overdraft & ST loans	0	0	0	0	(0)
Current LT debt	0	0	0	0	0
Others current liabilities	303	318	417	441	514
Total LT debt	0	0	0	0	0
Others LT liabilities	664	1,060	1,102	1,201	1,294
Total liabilities	1,191	1,661	1,860	2,055	2,306
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	300	330	330	330	330
Share premium	1,178	1,178	1,178	1,178	1,178
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	132	474	774	1,200	1,767
Shareholders' equity	1,610	1,982	2,282	2,708	3,275
Liabilities & equity	2,801	3,643	4,142	4,762	5,581

Sales are mostly in cash, with very low accounts receivables

Clean B/S, with no interest-bearing debt

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	322	510	671	935	1,259
Tax paid	(53)	(86)	(134)	(176)	(246)
Depreciation & amortization	279	296	312	331	345
Chg In working capital	(87)	38	(34)	(39)	(47)
Chg In other CA & CL / minorities	(102)	(997)	(22)	(86)	(46)
Cash flow from operations	359	(239)	793	964	1,265
Capex	(42)	(84)	(180)	(180)	(180)
Right of use	(336)	(644)	(350)	(350)	(350)
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	133	336	48	99	93
Cash flow from investments	(245)	(392)	(482)	(431)	(437)
Debt financing	0	0	0	0	(0)
Capital increase	1,253	30	0	0	0
Dividends paid	(839)	(30)	(230)	(313)	(427)
Warrants & other surplus	(10)	(30)	0	0	0
Cash flow from financing	404	(30)	(230)	(313)	(427)
Free cash flow	316	(323)	613	784	1,085

*Very high EBITDA/capex***VALUATION**

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	58.2	45.4	34.4	24.7	18.3
Normalized PE - at target price (x)	73.8	57.5	43.6	31.3	23.2
PE (x)	58.2	45.4	34.4	24.7	18.3
PE - at target price (x)	73.8	57.5	43.6	31.3	23.2
EV/EBITDA (x)	22.7	21.8	17.8	13.7	10.6
EV/EBITDA - at target price (x)	29.1	27.7	22.5	17.5	13.6
P/BV (x)	11.3	9.2	8.0	6.7	5.6
P/BV - at target price (x)	14.3	11.7	10.1	8.5	7.1
P/CFO (x)	41.1	(76.3)	23.0	18.9	14.4
Price/sales (x)	9.6	7.2	6.0	4.9	3.9
Dividend yield (%)	0.2	1.1	1.4	2.0	2.7
FCF Yield (%)	2.1	(1.8)	3.4	4.3	5.9
(Bt)					
Normalized EPS	0.9	1.2	1.6	2.2	3.0
EPS	0.9	1.2	1.6	2.2	3.0
DPS	0.1	0.6	0.8	1.1	1.5
BV/share	4.9	6.0	6.9	8.2	9.9
CFO/share	1.3	(0.7)	2.4	2.9	3.8
FCF/share	1.2	(1.0)	1.9	2.4	3.3

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	50.5	33.8	19.6	24.0	23.2
Net profit (%)	92.9	58.6	31.9	39.4	34.7
EPS (%)	90.8	28.3	31.9	39.4	34.7
Normalized profit (%)	92.9	58.6	31.9	39.4	34.7
Normalized EPS (%)	90.8	28.3	31.9	39.4	34.7
Dividend payout ratio (%)	11.8	49.3	49.3	49.3	49.3
Operating performance					
Gross margin (%)	52.4	53.4	54.3	55.5	56.4
Operating margin (%)	17.8	21.1	23.3	25.9	28.1
EBITDA margin (%)	32.6	32.9	33.6	34.7	35.5
Net margin (%)	13.4	15.9	17.5	19.7	21.5
D/E (incl. minor) (x)	0.0	0.0	0.0	0.0	(0.0)
Net D/E (incl. minor) (x)	(0.5)	(0.0)	(0.1)	(0.1)	(0.2)
Interest coverage - EBIT (x)	12.6	10.0	11.2	14.5	18.1
Interest coverage - EBITDA (x)	23.1	15.6	16.2	19.5	23.0
ROA - using norm profit (%)	10.6	12.5	12.8	16.6	19.2
ROE - using norm profit (%)	19.7	22.4	23.2	29.6	33.2
DuPont					
ROE - using after tax profit (%)	19.7	22.4	23.2	29.6	33.2
- asset turnover (x)	0.8	0.8	0.7	0.8	0.9
- operating margin (%)	18.4	22.3	24.2	26.7	28.8
- leverage (x)	1.9	1.8	1.8	1.8	1.7
- interest burden (%)	92.4	90.5	91.4	93.3	94.6
- tax burden (%)	78.6	78.8	79.0	79.0	79.0
WACC (%)	11.1	11.1	11.1	11.6	11.6
ROIC (%)	37.0	49.3	29.5	36.4	44.3
NOPAT (Bt m)	265	421	557	766	1,024
invested capital (Bt m)	855	1,887	2,106	2,311	2,478

Sources: Company data, Thanachart estimates

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BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

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

Moody's ESG Solutions

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80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
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