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BUY

UNCHANGED

กำไรปกติ 3Q24 มีแนวโน้มเพิ่ม y-y

- เราคาดว่ากำไรปกติ 3Q24 อยู่ที่ 2.2 พัน ลบ. (+1% q-q, +29% y-y) โดยได้ปัจจัยหนุนจากยอดขายและอัตรากำไรขั้นต้นที่โต y-y ในทั้ง 2 ธุรกิจ
- เราปรับเพิ่มประมาณการกำไรปี 2025-26 ของเราขึ้น 3.8% และ 5.0% ตามลำดับเพื่อรวมประโยชน์จากการควบรวมกิจการประมาณ 4 พัน ลบ.
- คงคำแนะนำซื้อหลังปรับราคาเป้าหมายเป็นปี 2025 ที่ 42 บาท (DCF)

กำไรปกติ 3Q24 มีแนวโน้มเพิ่ม y-y

เราคาดว่ากำไรสุทธิ 3Q24 อยู่ที่ 1.9 พัน ลบ. (-12% q-q, +14% y-y) เมื่อหักค่าใช้จ่ายพิเศษ 290 ลบ. จากการควบรวม (คาดว่าจะอยู่ที่ 96 ลบ. หลังหักภาษี) และผลขาดทุนจากตราสารอนุพันธ์ 194 ลบ. เราคาดว่ากำไรปกติอยู่ที่ 2.2 พัน ลบ. (+1% q-q, +29% y-y) โดยได้ปัจจัยหนุนจากยอดขายที่โตในทั้งสองธุรกิจ ทั้งนี้ธุรกิจค้าส่ง (Makro) นำจะรายงานการเติบโตของยอดขายสาขาเดิม (SSSG) อยู่ที่ 3% จากสาขาทุก Format และสินค้าประเภทอาหารสด นอกจากนี้ Makro ยังเปิดสาขาใหม่ 3 แห่งใน 3Q24 อีกด้วย เราคาดว่าธุรกิจค้าปลีก (Lotus) จะรายงาน SSSG อยู่ที่ 3% ทั้งในไทยและมาเลเซียแม้ว่าโดยสุทธิแล้วจะปิดสาขาไป 22 แห่ง (เปิด Go Fresh 21 สาขา แต่ปิด 42 สาขาและปิดซูเปอร์มาร์เก็ตอีก 1 สาขา) ยอดขายน่าจะยังโตต่อเนื่องจากพื้นที่ขายของสาขา Go Fresh ที่เพิ่มขึ้น

สินค้าอาหารสดจะช่วยหนุนอัตรากำไรขั้นต้นในขณะที่ค่าใช้จ่ายการขายและบริหารยัง

อัตรากำไรขั้นต้นรวมจากยอดขายน่าจะเพิ่ม 40bps y-y เป็น 14.1% ใน 3Q24 หลังจากบริษัทเน้นที่สินค้าอาหารสดมากขึ้นในขณะที่ยอดขายปรับตัวขึ้นในสินค้าอาหารแห้งที่มีอัตรากำไรสูงทั้งในธุรกิจค้าส่งและค้าปลีก อย่างไรก็ตามเราคาดว่าค่าใช้จ่ายการขายและบริหารจะสูงขึ้น 3% y-y ส่วนมากจากช่องทาง Omnichannel ของ Makro และต้นทุนศูนย์กระจายสินค้าใหม่

ปรับเพิ่มประมาณการกำไรปี 2025-26 ของเราขึ้น 3.8% และ 5% เพื่อสะท้อนประโยชน์

เราปรับลดประมาณการกำไรปี 2024 ของเราลง 2% เพื่อสะท้อนรายได้บริการและค่าเช่าที่ต่ำกว่าคาดเป็นคาดว่าจะมีกำไรปกติ 10.4 พัน ลบ. (+19% y-y) สำหรับในปี 2025-26 เราปรับเพิ่มประมาณการกำไรของเรา 3.8% และ 5.0% ตามลำดับเพื่อสะท้อนประโยชน์จากการควบรวมกิจการซึ่งคาดว่าจะอยู่ที่ 4 พัน ลบ. (ต่ำกว่าเป้าของผู้บริหารที่ 5 พัน ลบ.) ในช่วง 3 ปี (ครึ่งหนึ่งมาจากค่าใช้จ่ายการขายและบริหารที่ลดลงและอีกครั้งเป็นการประหยัดค่าใช้จ่ายในการลงทุน)

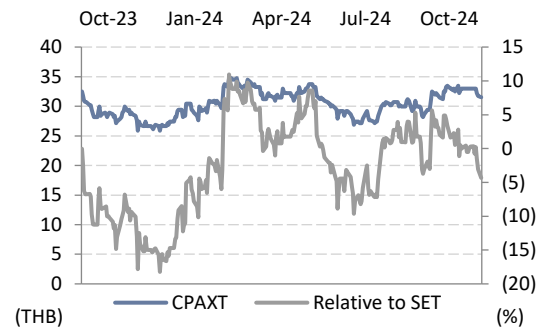
คงคำแนะนำซื้อหลังปรับราคาเป้าหมายเป็นปี 2025 ที่ 42 บาท (DCF)

หลังรวมประโยชน์จากการควบรวมกิจการ เราปรับราคาเป้าหมายของเราเป็นปี 2025 ที่ 42 บาท (DCF) และคงคำแนะนำซื้อ เราคาดว่าประโยชน์จากการควบรวมกิจการจะอยู่ที่ 4 พัน ลบ. ส่วนมากจากต้นทุนในการดำเนินงานที่ลดลง (2 พัน ลบ.) และการประหยัดค่าใช้จ่ายในการลงทุน (2 พัน ลบ.)

TARGET PRICE	THB42.00
CLOSE	THB31.50
UP/DOWNSIDE	+33.3%
PRIOR TP	THB36.00
CHANGE IN TP	+16.7%
TP vs CONSENSUS	+14.4%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	486,472	510,179	529,349	548,909
Net profit	8,640	10,434	12,984	14,783
EPS (THB)	0.83	1.00	1.25	1.42
vs Consensus (%)	-	(0.6)	6.7	5.7
EBITDA	34,456	35,878	40,526	44,259
Recurring net profit	8,777	10,434	12,984	14,783
Core EPS (THB)	0.84	1.00	1.25	1.42
Chg. In EPS est. (%)	1.5	(0.6)	5.3	6.5
EPS growth (%)	10.8	18.9	24.4	13.9
Core P/E (x)	37.4	31.5	25.3	22.2
Dividend yield (%)	1.8	2.2	2.8	3.2
EV/EBITDA (x)	11.5	10.8	9.5	8.5
Price/book (x)	1.1	1.1	1.1	1.1
Net debt/Equity (%)	23.4	20.2	18.0	14.9
ROE (%)	3.0	3.5	4.3	4.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.9)	10.9	(4.5)
Relative to country (%)	(7.5)	0.2	(5.4)
Mkt cap (USD m)	9,822		
3m avg. daily turnover (USD m)	6.1		
Free float (%)	15		
Major shareholder	CP ALL (60%)		
12m high/low (THB)	35.26/25.62		
Issued shares (m)	10,580.32		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

CPAXT is a leading wholesaler (under Makro). After its retail and rental units merged under Lotus's, CPAXT achieved synergies from Makro's expertise in the wholesale business, especially in the food segment, and Lotus's strengths in the retail and rental market. In 2024-26, we expect revenue growth of 4.1% CAGR to THB550b and core profit growth of 19.0% CAGR to THB14.8b, supported by 1) a recovery in tourism and domestic consumption, which should boost domestic purchasing power; 2) a synergy value of THB4b over three years (2025-27); 3) the O2O strategy; and 4) focusing on fresh food to drive GPM.

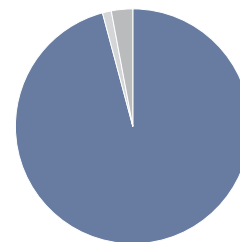
Company profile

CPAXT operates a wholesale unit under Makro to distribute consumer products to SMEs, retailers, restaurant operators, freelancers, and various institutions. Also, it is in the food service business to import and distribute frozen and chilled food to restaurants and small retailers. Finally, it has retail and rental subsidiaries under Lotus's.

www.cpaxtra.com

Principal activities (revenue, 2023)

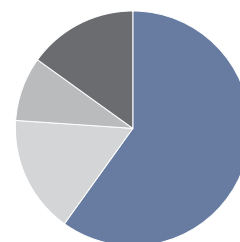
- Sales - 95.8 %
- Service income - 1.2 %
- Rental and rendering retail services - 2.9 %



Source: CP Axtra

Major shareholders

- CP ALL - 59.9 %
- Charoen Pokphand Holdings - 16.2 %
- CP Merchandising - 8.9 %
- Others - 15.1 %



Source: CP Axtra

Catalysts

Potential catalysts for CPAXT include: 1) a faster-than-expected domestic consumption and tourism recovery; 2) a better-than-expected recovery of its retail operation; and 3) a higher-than-expected synergy value from the amalgamation.

Risks to our call

Key downside risks to our DCF-based TP include 1) a lower-than-expected SSSG; 2) a lower-than-expected GPM; 3) higher-than-expected SG&A expenses; 4) an operating loss from its overseas units; and 5) lower-than-expected synergy value.

Event calendar

Date	Event
7 Nov 2024	3Q24 results announcement
11 Nov 2024	Analyst meeting

Key assumptions

MAKRO	2024E	2025E	2026E
SSSG MAKRO (%)	3.0	3.0	3.0
SSSG Lotus-TH (%)	3.0	3.0	3.0
SSSG Lotus-ML (%)	3.0	3.0	3.0
New stores growth (%)	4.5	4.3	4.1
GPM (%)	16.3	16.5	16.7
SG&A to revenue (%)	13.3	13.1	13.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2025 EPS to rise by 0.8% and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2025 EPS to rise by 3.0% and vice versa, all else being equal.
- For every 0.1% increase in SG&A to revenue, we estimate 2025 EPS to fall by 3.1% and vice versa, all else being equal.

Source: FSSIA estimates

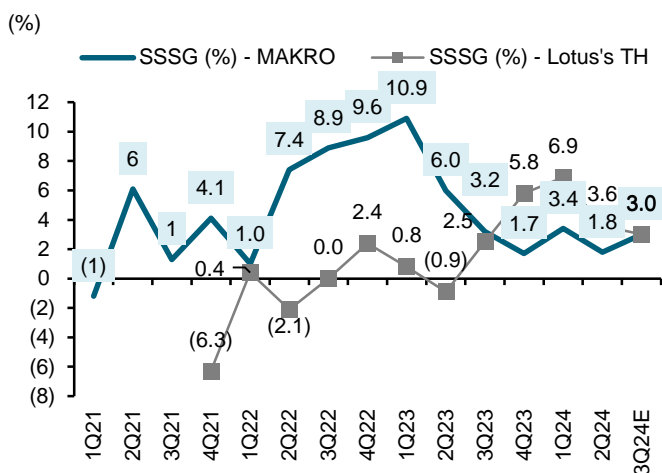
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Exhibit 1: CPAXT – 3Q24 results preview

Year to Dec 31	3Q23	4Q23	1Q24	2Q24	3Q24E	-----Change-----		9M24E	Change	9M24E	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y %)	(%24E)	(THB m)	(y-y %)
Total revenue	118,837	127,637	126,157	126,223	125,712	(0)	6	378,092	5	74	510,179	5
- Retail sales	113,838	122,371	121,182	121,374	120,800	(0)	6	363,356	6	74	489,698	5
- Service income	1,405	1,599	1,452	1,275	1,291	1	(8)	4,018	(7)	70	5,741	(3)
- Rental and rendering	3,594	3,667	3,523	3,574	3,622	1	1	10,718	1	73	14,739	3
Gross profit	18,930	20,793	20,454	20,316	20,119	(1)	6	60,890	6	73	83,085	6
Operating costs	(16,263)	(16,292)	(16,838)	(16,919)	(16,683)	(1)	3	(50,440)	4	74	(68,319)	5
Operating profit	2,667	4,501	3,616	3,397	3,437	1	29	10,450	20	71	14,766	12
Other income	665	976	863	733	725	(1)	9	2,320	(7)	68	3,407	(2)
EBIT	3,332	5,477	4,479	4,130	4,161	1	25	12,770	14	70	18,173	9
Interest expense	(1,403)	(1,451)	(1,414)	(1,449)	(1,441)	(1)	3	(4,304)	(12)	75	(5,730)	(9)
Profit before tax	1,929	4,025	3,065	2,681	2,721	1	41	8,466	33	68	12,444	20
Tax	(448)	(912)	(765)	(663)	(673)	1	50	(2,101)	29	73	(2,862)	13
Associates	185	168	174	149	150	1	(19)	473	(18)	58	811	9
Minority interests	11	1	7	9	9	0	(16)	26	(35)	64	41	0
Non-recurring items	(39)	0	0	0	(290)	n/a	644	(290)	112	n/a	0	(100)
Reported net profit	1,677	3,282	2,481	2,176	1,917	(12)	14	6,574	23	63	10,434	21
Recurring net profit	1,716	3,282	2,481	2,176	2,207	1	29	6,865	25	66	10,434	19
EPS (THB)	0.16	0.31	0.24	0.21	0.18	(12)	14	0.63	23	63	1.00	21
Recurring EPS (THB)	0.16	0.31	0.24	0.21	0.21	(0)	27	0.66	24	65	1.00	19
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	(%)	(%)	(%)
Gross profit margin from sales	13.7	14.0	14.1	14.1	14.1	(0.0)	0.4	14.1	(3.6)		14.1	0.3
Gross profit margin	15.9	16.3	16.2	16.1	16.0	(0.1)	0.1	16.1	0.1		16.3	0.2
Operating margin	2.2	3.5	2.9	2.7	2.7	0.0	0.5	2.8	0.3		2.9	0.2
Recurring net margin	1.4	2.6	2.0	1.7	1.8	0.0	0.3	1.8	0.3		2.0	0.2
SG&A / Revenue	13.6	12.7	13.3	13.3	13.2	(0.1)	(0.4)	13.3	(0.9)		13.3	0.0
Operating statistics	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)				(%)	
SSSG (%) - MAKRO	3.2	1.7	3.4	1.8	3.0	1.2	(0.2)				3.0	
SSSG (%) - Retail business	n/a	5.5	7.1	3.5	3.0	(0.5)	n/a				3.0	
SSSG (%) - Lotus's TH	2.5	5.8	6.9	3.6	3.0	(0.6)	0.5				3.0	
SSSG (%) - Lotus's ML	0.6	3.6	8.4	3.1	3.0	(0.1)	2.4				3.0	
Number of stores (Wholesales) (no.)	164	168	169	170	173							
Number of stores (Lotus) (no.)	2,525	2,522	2,517	2,520	2,498							

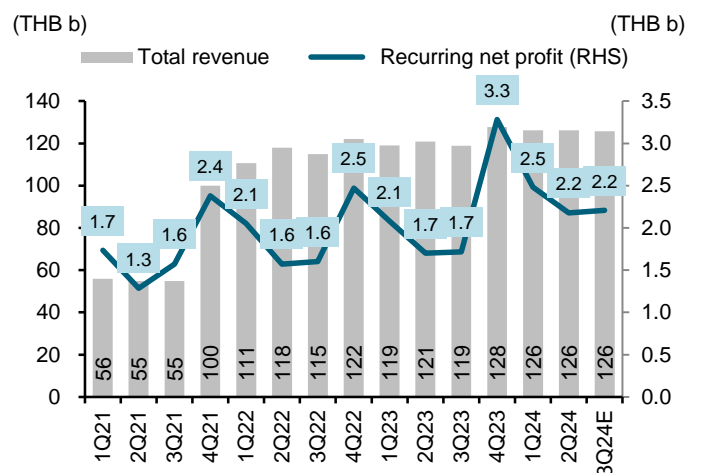
Sources: CPAXT; FSSIA estimates

Exhibit 2: Solid SSSG for two business units



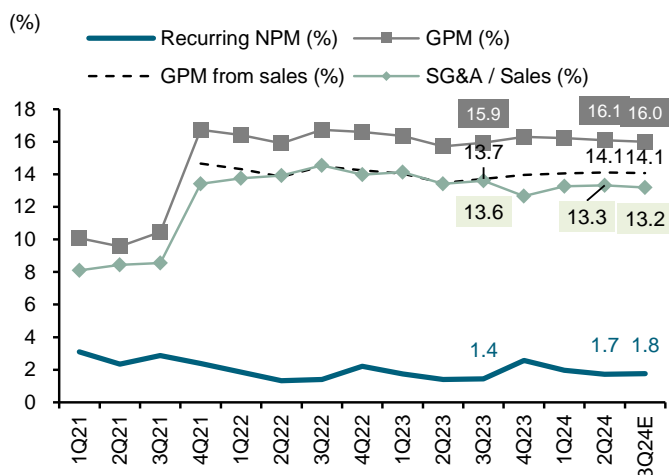
Sources: CPAXT; FSSIA estimates

Exhibit 3: Revenue and recurring net profit



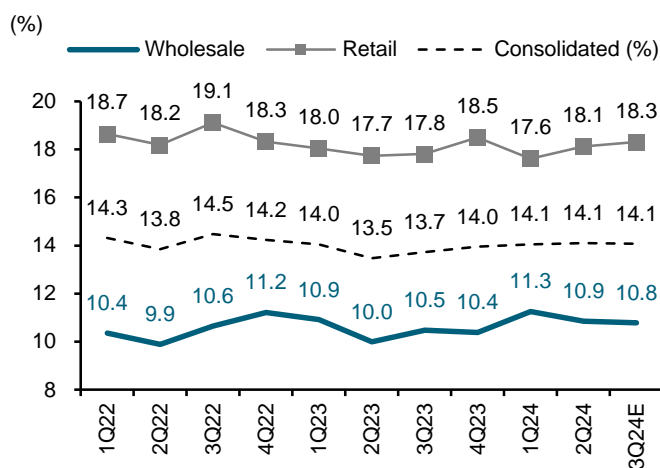
Sources: CPAXT; FSSIA estimates

Exhibit 4: Profitability



Sources: CPAXT; FSSIA estimates

Exhibit 5: GPM from sales (%)



Sources: CPAXT; FSSIA estimates

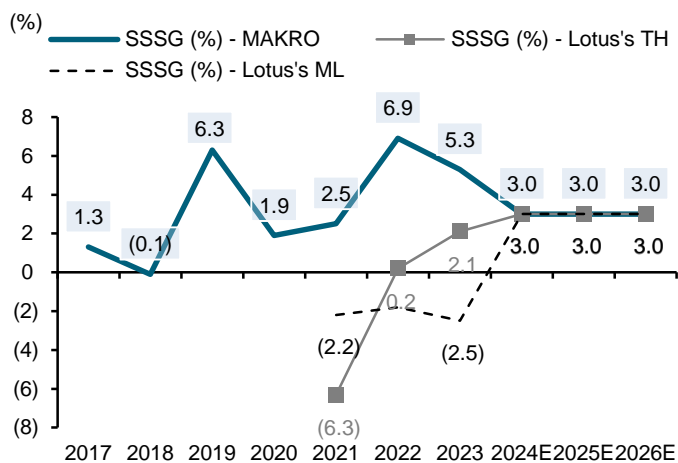
Exhibit 6: Changes in key assumptions

	Current			Previous			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Total revenue (THB m)	510,179	529,349	548,909	510,590	529,777	549,574	(0.1)	(0.1)	(0.1)
SSSG MAKRO (%)	3.0	3.0	3.0	3.0	3.0	3.0	0.0	0.0	0.0
SSSG Lotus-TH (%)	3.0	3.0	3.0	3.0	3.0	3.0	0.0	0.0	0.0
SSSG Lotus-ML (%)	3.0	3.0	3.0	3.0	3.0	3.0	0.0	0.0	0.0
New stores growth - MAKRO (%)	4.8	4.0	3.8	4.8	4.0	3.8	0	0	0
New stores growth - Lotus's (%)	4.5	4.3	4.1	4.5	4.3	4.1	0	0	0
Gross margin (%)	16.3	16.5	16.7	16.3	16.5	16.7	0.0	0.0	0.0
Gross margin - MAKRO (%)	10.6	10.8	11.0	10.6	10.8	11.0	0.0	0.0	0.0
Gross margin - Lotus's (%)	18.5	18.7	18.8	18.5	18.7	18.8	0.0	0.0	0.0
SG&A expenses to total revenues (%)	13.3	13.1	13.0	13.3	13.2	13.1	0.0	(0.1)	(0.1)
Core profit (THB m)	10,433	12,983	14,783	10,653	12,512	14,080	(2.1)	3.8	5.0

Note: Adjusted our 2024 forecast down by 2%, reflecting lower-than-expected service and rental income. For 2025-26, we have increased our forecast by 3.8% and 5.0%, respectively, incorporating the synergy benefits from the amalgamation.

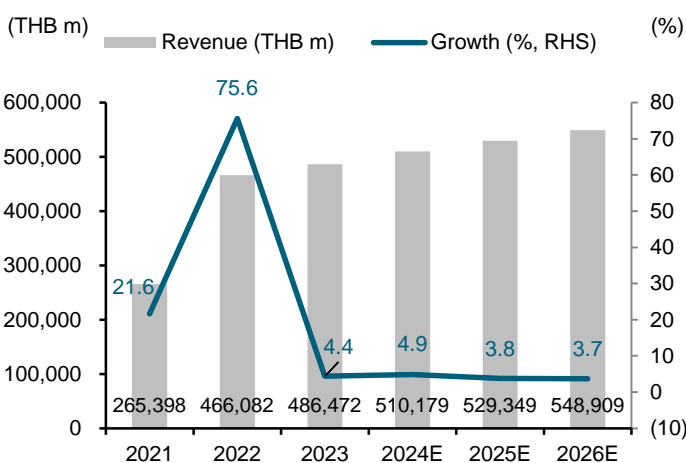
Source: FSSIA estimates

Exhibit 7: Yearly SSSG by business unit



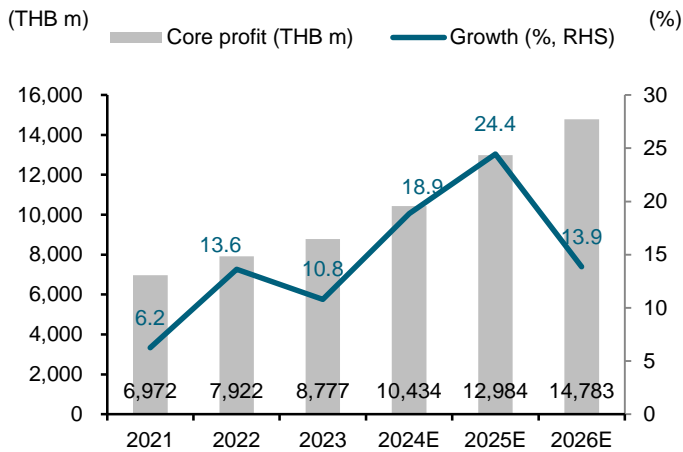
Sources: CPAXT; FSSIA estimates

Exhibit 8: Yearly revenue



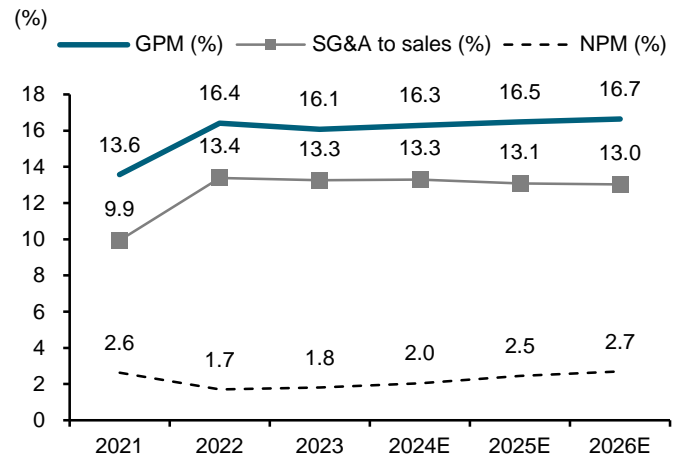
Sources: CPAXT; FSSIA estimates

Exhibit 9: Yearly core profit



Sources: CPAXT; FSSIA estimates

Exhibit 10: Profitability



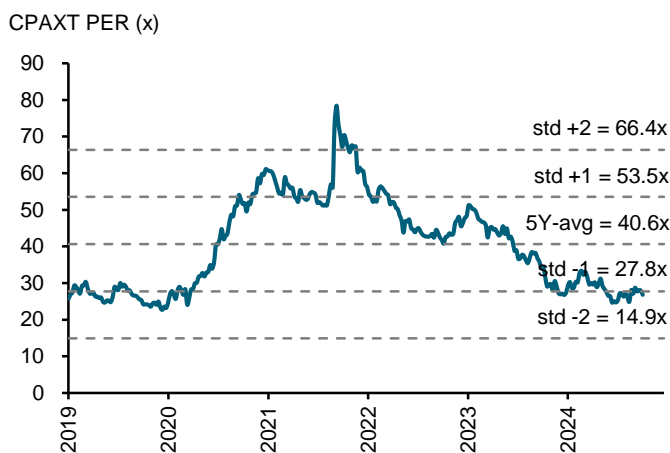
Sources: CPAXT; FSSIA estimates

Exhibit 11: DCF-derived TP for 2025

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	7.1	
Terminal growth	2.0	
NPV		144
Add: terminal value		346
Sum of PV		489
Add: investment		0
Less: debt		54
Less: minorities		0.5
Residual ordinary equity		435
No. of shares (m)		10,428
Residual ordinary equity (THB/share)		42.0

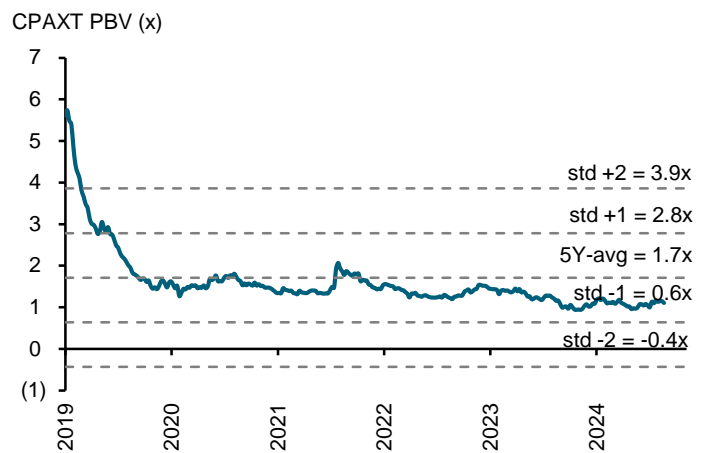
Source: FSSIA estimates

Exhibit 12: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Commerce peers as of 8 October 2024

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)	24E (x)	25E (x)
Consumer Staple														
CP All	CPALL TB	BUY	65.00	79.00	22	17,459	24.7	21.3	20.2	21.2	5.2	4.6	19.3	16.7
CP Axtra	CPAXT TB	BUY	31.50	42.00	33	9,822	31.5	25.3	3.5	4.3	1.1	1.1	10.8	9.5
Berli Jucker*	BJC TB	n/a	25.25	n/a	n/a	3,025	23.0	19.4	3.6	4.2	0.8	0.8	12.1	11.6
Consumer Staple average						30,306	26.4	22.0	9.1	9.9	2.4	2.2	14.1	12.6
Consumer Discretionary														
Com7	COM7 TB	BUY	23.90	24.00	0	1,683	18.0	16.7	36.1	33.2	6.0	5.1	12.4	11.0
Central Retail Corp	CRC TB	BUY	32.75	40.00	22	5,906	23.2	21.1	12.2	12.4	2.7	2.5	9.7	9.1
Home Improvement														
Index Living Mall	ILM TB	BUY	18.10	26.70	48	273	11.6	10.7	12.9	13.5	1.5	1.4	6.4	5.8
Home Product Center	HMPRO TB	BUY	10.70	13.60	27	4,208	20.6	19.4	26.1	26.4	5.2	5.0	12.0	11.4
Siam Global House	GLOBAL TB	BUY	16.80	16.00	(5)	2,613	31.3	28.1	11.6	12.1	3.5	3.3	23.7	21.3
Dohome	DOHOME TB	BUY	10.40	11.80	13	1,004	34.2	26.8	7.7	9.2	2.5	2.4	17.5	15.4
Home Improvement avg.						8,098	24.4	21.3	14.6	15.3	3.2	3.0	14.9	13.5
Consumer Discretionary avg.						15,687	23.2	20.5	17.8	17.8	3.6	3.3	13.6	12.3
Total average						45,993	24.2	21.0	14.9	15.2	3.2	2.9	13.8	12.4

Sources: *Bloomberg; FSSIA estimates

Financial Statements

CP Axtra

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	466,082	486,472	510,179	529,349	548,909
Cost of goods sold	(389,588)	(408,274)	(427,093)	(442,048)	(457,496)
Gross profit	76,494	78,198	83,085	87,302	91,412
Other operating income	3,050	3,477	3,407	3,537	3,670
Operating costs	(62,617)	(64,831)	(68,319)	(69,704)	(72,056)
Operating EBITDA	34,477	34,456	35,878	40,526	44,259
Depreciation	(17,551)	(17,612)	(17,704)	(19,392)	(21,233)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	16,926	16,844	18,173	21,134	23,027
Net financing costs	(7,122)	(6,319)	(5,729)	(5,410)	(4,998)
Associates	831	746	811	835	860
Recurring non-operating income	831	746	811	835	860
Non-recurring items	(225)	(137)	0	0	0
Profit before tax	10,411	11,134	13,255	16,559	18,889
Tax	(2,729)	(2,535)	(2,862)	(3,617)	(4,147)
Profit after tax	7,682	8,599	10,393	12,943	14,742
Minority interests	15	41	41	41	41
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	7,697	8,640	10,434	12,984	14,783
Non-recurring items & goodwill (net)	225	137	0	0	0
Recurring net profit	7,922	8,777	10,434	12,984	14,783
Per share (THB)					
Recurring EPS *	0.76	0.84	1.00	1.25	1.42
Reported EPS	0.74	0.83	1.00	1.25	1.42
DPS	0.52	0.58	0.70	0.87	0.99
Diluted shares (used to calculate per share data)	10,428	10,428	10,428	10,428	10,428
Growth					
Revenue (%)	75.6	4.4	4.9	3.8	3.7
Operating EBITDA (%)	107.4	(0.1)	4.1	13.0	9.2
Operating EBIT (%)	61.3	(0.5)	7.9	16.3	9.0
Recurring EPS (%)	15.3	10.8	18.9	24.4	13.9
Reported EPS (%)	(42.9)	12.3	20.8	24.4	13.9
Operating performance					
Gross margin inc. depreciation (%)	16.4	16.1	16.3	16.5	16.7
Gross margin exc. depreciation (%)	20.2	19.7	19.8	20.2	20.5
Operating EBITDA margin (%)	7.4	7.1	7.0	7.7	8.1
Operating EBIT margin (%)	3.6	3.5	3.6	4.0	4.2
Net margin (%)	1.7	1.8	2.0	2.5	2.7
Effective tax rate (%)	28.5	24.4	23.0	23.0	23.0
Dividend payout on recurring profit (%)	68.1	68.7	70.0	70.0	70.0
Interest cover (X)	2.5	2.8	3.3	4.1	4.8
Inventory days	34.2	34.4	32.7	33.0	33.1
Debtor days	1.9	1.8	1.7	1.7	1.7
Creditor days	59.9	60.2	61.2	61.7	61.9
Operating ROIC (%)	15.6	16.7	20.0	24.7	28.3
ROIC (%)	3.0	3.2	3.5	4.1	4.4
ROE (%)	2.7	3.0	3.5	4.3	4.9
ROA (%)	2.3	2.5	2.7	3.1	3.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Sales	447,182	466,234	489,698	508,260	527,495
Service income	5,422	5,935	5,741	5,914	5,801
Rental and rendering retail services	13,477	14,303	14,739	15,175	15,613

Sources: CP Axtra; FSSIA estimates

Financial Statements

CP Axtra

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	7,922	8,777	10,434	12,984	14,783
Depreciation	17,551	17,612	17,704	19,392	21,233
Associates & minorities	96	13	0	0	0
Other non-cash items	(412)	(160)	19	(9)	2
Change in working capital	(4,400)	7,381	1,328	1,054	1,090
Cash flow from operations	20,757	33,624	29,485	33,421	37,107
Capex - maintenance	-	-	-	-	-
Capex - new investment	(15,872)	(13,319)	(14,351)	(15,544)	(17,037)
Net acquisitions & disposals	(5,027)	(6,765)	(3,676)	(3,904)	(4,152)
Other investments (net)	815	(3,255)	2,952	(607)	1,189
Cash flow from investing	(20,085)	(23,339)	(15,076)	(20,055)	(20,000)
Dividends paid	(5,396)	(6,031)	(7,304)	(9,089)	(10,348)
Equity finance	5,721	(35)	620	620	620
Debt finance	(23,753)	(12,616)	5,647	(14,728)	(7,510)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(23,427)	(18,681)	(1,036)	(23,196)	(17,237)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	(5,672)	0	0	0	0
Movement in cash	(28,427)	(8,396)	13,373	(9,830)	(130)
Free cash flow to firm (FCFF)	7,794.01	16,604.38	20,138.30	18,775.81	22,105.79
Free cash flow to equity (FCFE)	(28,752.25)	(2,330.45)	20,055.79	(1,361.79)	9,597.75

Per share (THB)

FCFF per share	0.74	1.57	1.90	1.77	2.09
FCFE per share	(2.72)	(0.22)	1.90	(0.13)	0.91
Recurring cash flow per share	2.41	2.52	2.70	3.10	3.45

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	148,498	150,596	164,947	180,491	197,528
Less: Accumulated depreciation	(30,383)	(35,022)	(50,800)	(68,071)	(86,972)
Tangible fixed assets (net)	118,115	115,574	114,147	112,419	110,555
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	14,961	14,783	14,783	14,783	14,783
Cash & equivalents	40,103	31,707	45,080	35,250	35,120
A/C receivable	2,431	2,304	2,416	2,507	2,599
Inventories	37,820	35,884	37,538	38,852	40,210
Other current assets	7,001	6,844	7,178	7,447	7,723
Current assets	87,355	76,739	92,211	84,056	85,652
Other assets	328,213	333,275	335,246	337,256	339,307
Total assets	548,643	540,371	556,388	548,515	550,297
Common equity	290,348	292,923	296,673	301,189	306,244
Minorities etc.	583	555	514	473	432
Total shareholders' equity	290,930	293,477	297,187	301,661	306,675
Long term debt	110,025	70,180	89,627	55,756	73,611
Other long-term liabilities	56,925	58,569	59,740	60,935	62,153
Long-term liabilities	166,949	128,749	149,367	116,691	135,765
A/C payable	61,818	67,136	70,231	72,690	75,230
Short term debt	4,796	30,253	15,504	33,678	7,325
Other current liabilities	24,148	20,755	24,100	23,795	25,302
Current liabilities	90,763	118,145	109,835	130,163	107,857
Total liabilities and shareholders' equity	548,643	540,371	556,388	548,515	550,297
Net working capital	(38,715)	(42,860)	(47,199)	(47,679)	(50,000)
Invested capital	422,573	420,772	416,977	416,780	414,645

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	27.84	28.09	28.45	28.88	29.37
Tangible book value per share	27.84	28.09	28.45	28.88	29.37

Financial strength

Net debt/equity (%)	25.7	23.4	20.2	18.0	14.9
Net debt/total assets (%)	13.6	12.7	10.8	9.9	8.3
Current ratio (x)	1.0	0.6	0.8	0.6	0.8
CF interest cover (x)	(0.8)	2.7	7.0	3.6	6.3

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	41.5	37.4	31.5	25.3	22.2
Recurring P/E @ target price (x) *	55.3	49.9	42.0	33.7	29.6
Reported P/E (x)	42.7	38.0	31.5	25.3	22.2
Dividend yield (%)	1.6	1.8	2.2	2.8	3.2
Price/book (x)	1.1	1.1	1.1	1.1	1.1
Price/tangible book (x)	1.1	1.1	1.1	1.1	1.1
EV/EBITDA (x) **	11.7	11.5	10.8	9.5	8.5
EV/EBITDA @ target price (x) **	14.9	14.7	13.9	12.2	10.9
EV/invested capital (x)	1.0	0.9	0.9	0.9	0.9

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: CP Axtra; FSSIA estimates

CP Axtra PCL (CPAXT TB)

FSSIA ESG rating



59.46 /100

Exhibit 15: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 16: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BJC	71.33	Y	Y	Y	4.00	4.00	--	Medium	55.09	A	--	65.19	89.00	2.16	--
COM7	61.78	--	Y	Y	5.00	5.00	Certified	Low	47.75	--	--	52.68	21.00	4.40	43.59
CPALL	78.53	Y	Y	Y	5.00	5.00	Certified	Medium	47.38	A	34.00	59.95	82.00	3.74	--
CPAXT	59.46	--	--	--	5.00	5.00	Certified	Low	52.81	--	--	74.64	63.00	3.80	--
CRC	64.49	--	Y	Y	5.00	5.00	Certified	Medium	--	BBB	--	60.98	73.00	2.90	47.27

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 17: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—	—	—	—	—	3.80	—
BESG environmental pillar score	—	—	—	—	—	—	3.80	—
BESG social pillar score	—	—	—	—	—	—	3.77	—
BESG governance pillar score	—	—	—	—	—	—	3.84	—
ESG disclosure score	33.03	42.58	50.91	61.55	61.98	62.50	62.50	—
Environmental disclosure score	7.64	17.85	32.89	45.12	48.51	48.51	48.51	—
Social disclosure score	7.68	28.66	29.84	43.29	41.17	42.74	42.74	—
Governance disclosure score	83.59	81.10	89.86	96.12	96.12	96.12	96.12	—
Environmental								
Emissions reduction initiatives	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	Yes	Yes	Yes	Yes	Yes	No
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	No	No
GHG scope 1	—	—	—	50	43	50	66	147
GHG scope 2 location-based	—	—	—	209	220	184	186	571
GHG Scope 3	—	—	—	—	5	58	59	136
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	Yes	Yes	Yes	Yes	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	329	347	730	390	395	419	442
Renewable energy use	—	0	0	0	3	18	36	40
Electricity used	—	—	—	360	377	367	371	390
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 18: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	0	0	0	0
Total waste	40	52	61	62	91	62	68	85
Waste recycled	33	37	43	42	70	40	39	59
Waste sent to landfills	7	15	18	20	21	21	26	23
Environmental supply chain management	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	—	—	994
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	No	No	No	No	Yes	Yes	Yes	Yes
Equal opportunity policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	—	55	55	55	55	55	55	52
Pct disabled in workforce	—	—	—	—	—	0	0	0
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	1	0	1	1	1	1	0
Total recordable incident rate - employees	—	1	0	1	1	1	1	1
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	—	13,365	13,786	14,560	15,212	16,108	16,920	23,280
Employee turnover pct	—	36	39	35	31	17	16	42
Total hours spent by firm - employee training	—	—	—	130,626	162,366	231,049	249,570	778,018
Social supply chain management	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Governance								
Board size	18	15	15	15	15	15	15	15
No. of independent directors (ID)	6	5	5	5	5	5	5	5
No. of women on board	2	2	2	2	3	3	3	2
No. of non-executive directors on board	10	7	7	7	7	13	13	13
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	4	4	5	7	6	9	13	7
Board meeting attendance pct	83	95	92	94	96	99	98	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	48	51	52	53	54	53	54	—
Age of the oldest director	79	80	81	82	83	78	79	—
No. of executives / company managers	12	12	13	11	11	6	6	7
No. of female executives	2	2	3	3	2	1	2	1
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	5	5	5	5	3	3	3	3
No. of ID on audit committee	5	5	5	5	3	3	3	3
Audit committee meetings	5	5	5	5	5	8	11	8
Audit meeting attendance %	96	—	92	96	100	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	2	2	2	2	2	2	2	2
No. of compensation committee meetings	1	3	2	2	4	2	3	2
Compensation meeting attendance %	100	100	100	100	100	100	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	1	3	2	2	4	2	3	2
Nomination meeting attendance %	100	100	100	100	100	100	100	100
Sustainability governance								
Verification type	No	No	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainability	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.																				
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	<table border="1"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table> <p>The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.</p>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																					
	<table border="1"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
CP Axtra	CPAXT TB	THB 31.50	BUY	Key downside risks to our DCF-based TP include 1) a lower-than-expected SSSG, 2) a lower-than-expected GPM, 3) higher-than-expected SG&A expenses, and 4) an operating loss from its overseas units.
CP All	CPALL TB	THB 65.00	BUY	The key downside risks to our DCF-derived TP include 1) lower-than-expected SSSG, 2) lower-than-expected gross margin, and 3) higher-than-expected SG&A to sales ratio.
Com7	COM7 TB	THB 23.90	BUY	Risks to our P/E-based TP include 1) lower/higher domestic consumption and purchasing power, 2) store cannibalization/expansion, and 3) lower/higher-than-expected gross margin.
Central Retail Corp	CRC TB	THB 32.75	BUY	Downside risks to our DCF-based TP include 1) a decline in domestic purchasing power, 2) lower-than-expected tourist arrivals, 3) an absence of the government's stimulus, and 4) a slower-than-expected economic recovery in Vietnam.
Index Living Mall	ILM TB	THB 18.10	BUY	Risks to our DCF-based TP include 1) a lower-than-expected SSSG; 2) a lower-than-expected GPM; and 3) a higher-than-expected SG&A.
Home Product Center	HMPRO TB	THB 10.70	BUY	Key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) slower-than-expected recovery in domestic consumption and tourist arrivals, and 3) operating losses from overseas units.
Siam Global House	GLOBAL TB	THB 16.80	BUY	Key risks to our DCF-based TP are 1) lower/higher farm income, which would affect purchasing power in the agricultural sector, 2) government disbursement, 3) a lower/higher private brand mix and margin, 4) higher/lower expenses than expected, and 5) a higher/lower impact than expected from the El Nino.
Dohome PCL	DOHOME TB	THB 10.40	BUY	Key risks to our DCF-based TP are 1) lower/higher farm income, which would affect purchasing power in the agricultural sector, 2) government disbursement, 3) a lower/higher private brand mix and margin, 4) higher/lower expenses than expected, and 5) a higher/lower impact than expected from the El Nino.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited.

All share prices are as at market close on 07-Oct-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.