SECTOR UPDATE

THAILAND COMMERCE

Globlex Securities Co., Ltd.

11 December 2024

The power players in Thai retail: where growth meets value

- Thailand's commerce sector grows in essentials, but discretionary products face challenges amid economic concerns.
- We expect the spending to improve in 2H25 with the mass rollout of the THB10,000.
- CPALL and CPN are our top picks, supported by their attractive low valuation.

Businesses as not equal

Thailand is one of the world's leading retail developments, with key players operating across the 360-degree commerce landscape. In necessity retail, the CP Group dominates through CPALL, focusing on small CVS, and CPAXT, catering to large-scale modern trade. In the discretionary space, the Central Group leads with CRC as its flagship department store and CPN as a premier shopping mall developer in the domestic market. These "fantastic four" present distinct risk-reward, offering diverse investment choices across different economic cycles and global market conditions.

The THB10,000 wallet: A slow start, but big potential in 2H25E

We believe the scheduled distribution of the THB10,000 government scheme in Apr-25, targeting seniors aged 60, will have a minimal impact on the broader commerce sector due to its limited target audience. However, the key catalyst for a significant boost in consumer confidence and spending will likely be the mass distribution of the THB10,000, expected in 2H25. This broader rollout is anticipated to inject meaningful liquidity into the economy, directly benefiting households and potentially driving stronger momentum in consumer spending.

The brightest 'C' among the 4Cs

Thailand's commerce sector remains a mixed landscape, with varying growth trajectories across its key players: CPALL, CPN, CRC, and CPAXT. Among these, CPALL emerges as our top pick for its consistent growth, strong fundamentals, and near-monopoly in the convenience store segment. The company's ability to deliver positive SSSG, driven by increasing in-store spending and recovering customer footfall. Despite challenges during the pandemic, CPALL has continued to improve its GPM, reaching nearly 28% in 3Q24, and is trading at an attractive P/E of 21x, below its 2-year and 5-year historical averages.

Mall mastery: Why CPN shines in commerce?

CPN, our second top pick, stands out for its highly resilient business model, with over 80% of revenue derived from stable mall rentals, less reliant on consumer spending. Even during the pandemic, CPN maintained steady recurring income, reflecting its defensive nature. With a 10-year CAGR of 8-9% in revenue and net profit, coupled with strategic expansion and modernization efforts, CPN continues to deliver consistent growth. Currently trading at a P/E of 15x, below historical averages, CPN offers an attractive entry point for investors seeking stability and long-term value.

Frosty outlook with a chance of snowflakes in Q4

CRC and CPAXT present selective opportunities within the commerce sector. CRC faces headwinds from its reliance on non-essential products, but the festive 4Q24 season offers a short-term boost for its profitable fashion segment. Meanwhile, CPAXT delivers steady growth, but its elevated P/E of 30x reflects unrealized merger synergies with Lotus's, constrained by high depreciation costs. While CPAXT's long-term potential is intact, near-term upside appears limited, making valuation a key consideration for investors.

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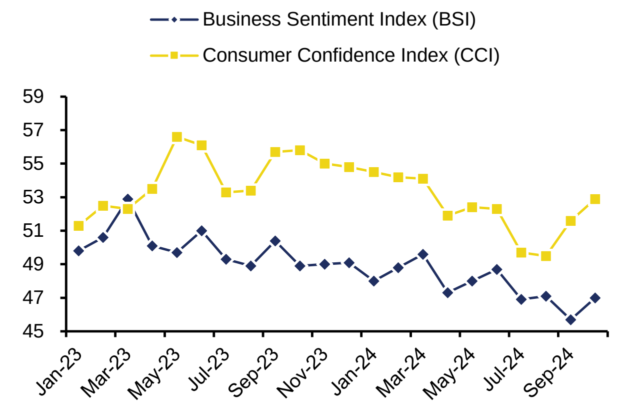
The power players in Thai retail: where growth meets value

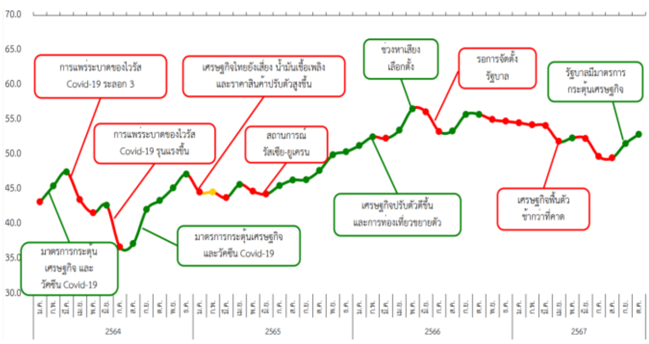
In 2024, Thailand's commerce sector showed signs of a mixed recovery, with overall consumption improving but growth varying significantly across categories. Essential items, especially food and beverages, saw an improvement in demand. This uptick highlights resilience in the necessities segment, as consumers prioritized spending on daily needs. However, discretionary spending on non-essential "wants" remained subdued, as consumers exhibited caution in the face of economic uncertainties, including equity market volatility and persistently high household debt levels, 90% of GDP.

Exhibit 1: Thailand's BSI & CCI



Sources: Bank of Thailand

Exhibit 2: Thailand's Consumer Confidence Index (CCI)



Sources: Trade Policy and Strategy Office

As shown in Exhibit 1, both the Business Sentiment Index (BSI) and Consumer Confidence Index (CCI) have been on a downtrend since the start of 2024, reflecting cautious consumer behavior amidst economic uncertainties. This indicates that consumers remain highly aware of their spending, likely influenced by high household debt and economic pressures.

However, there are early signs of recovery in consumer confidence observed in Sep-Oct 24, driven by the government's THB10,000 scheme. This policy appears to have provided a short-term boost to sentiment, especially among lower-income households, who are more likely to spend on necessities.

Looking ahead, we anticipate that the commerce sector will see a gradual improvement supported by government spending, rolled out in 3Q24, which provided an initial boost to consumer spending. However, we do not expect a sharp recovery, as rebuilding consumer confidence will take time amidst persistent economic uncertainties.

The next phase of the THB10,000 distribution, planned for Apr-25, targets seniors aged 60 years and above, which we believe will have minimal impact on the broader commerce sector due to the narrower target audience. A significant uplift in consumer sentiment and spending is more likely when the scheme is expanded to the general population, expected in 2H25E, potentially driving stronger momentum across both essential and discretionary categories.

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Exhibit 3: SSSG of commerce companies

Company	3Q24	QTD SSSG
CPALL	3.3%	3.5%
CPAXT - Makro	1.5%	2.0%
CPAXT - Lotus's	2.3%	2.0%
CRC - Food	-1.0%	-1.0%
CRC - Hardline	-9.0%	-6.0%
CRC - Fashion	-2.0%	2.0%
MOSHI	5.7%	26.0%
TAN	2.0%	n/a
TNP	1.8%	n/a
HMPRO	-5.0%	n/a
GLOBAL	-6.5%	n/a
DOHOME	-4.5%	n/a

Sources: collected by Globlex Research

In 3Q24, the commerce sector's SSSG for essential categories generally showed slight positive growth, aligning with GDP trends, except for CRC's food segment, which posted a marginal decline. While this decline is not a major concern, it underscores the ongoing pressure on discretionary spending in some segments.

CRC's fashion division continued to report negative SSSG in Thailand, reflecting the slow pace of economic recovery and subdued consumer confidence. For 9M24, all essential categories show positive SSSG, further supporting the resilience of necessities, but CRC's fashion in Thailand remained in a negative trend, highlighting persistent challenges in non-essential spending.

Looking ahead to 4Q24E, we anticipate a seasonal boost in consumer spending driven by festive activities, which could provide a clearer uplift for CRC's fashion segment compared to essential categories, as consumers allocate more towards discretionary purchases during the holiday season.

Which "C" Do We Prefer?

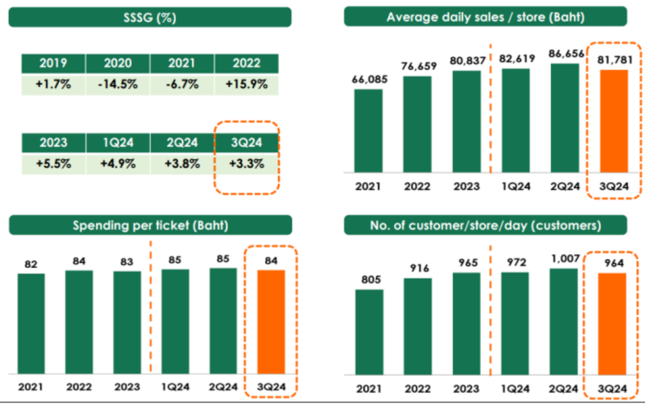
Among the key players in the commerce sector—CPALL, CPAXT, CRC, and CPN—our top pick for the long-term is CPALL. Here's why: CPALL's strong fundamentals, extensive store network, and consistent performance in both urban and rural markets align closely with our investment preferences. Its ability to drive growth through store expansion, adapt to evolving consumer demands, and sustain a solid position in the essential goods segment makes it a standout choice for long-term stability and business quality.

CPALL: Dominating convenience with resilience

CPALL has consistently demonstrated positive SSSG annually, with the exception of the pandemic years in 2020-2021, reflecting its ability to drive sales growth even amidst challenges. A closer look at the SSSG reveals a steady increase in spending per ticket over the years, while the company has successfully retained its customer base despite expanding its store count by over 700 stores annually.

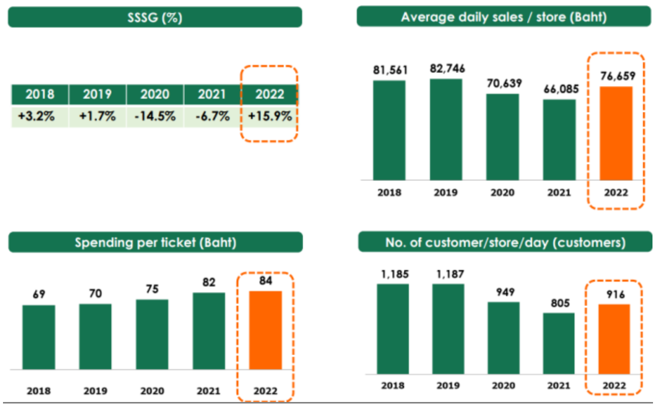
As shown in Exhibit 6, customer footfall dropped significantly during the COVID-19 pandemic but is now on a recovery trajectory, although it has not yet reached pre-pandemic levels. Despite this, the combination of higher spending per ticket and recovering customer traffic has enabled CPALL to gradually grow its average daily sales per store. For 2024E, we anticipate that average daily sales will surpass pre-COVID-19 levels.

Exhibit 4: 3Q24 SSSG



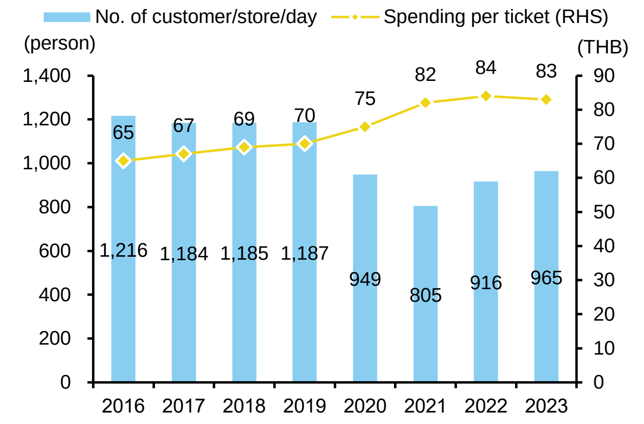
Sources: CPALL

Exhibit 5: SSSG from 2018-2022



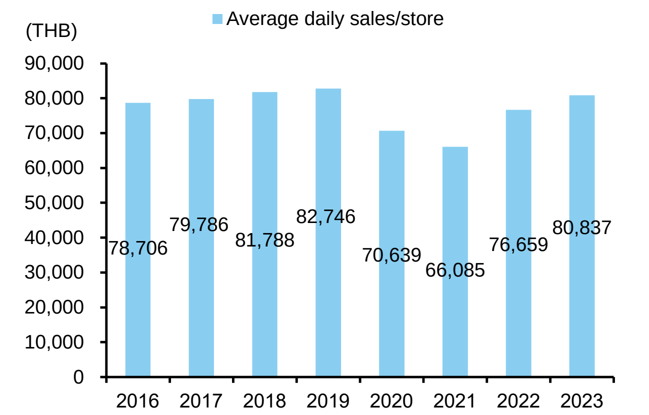
Sources: CPALL

Exhibit 6: 7-11 No. of customer/store/day



Sources: CPALL

Exhibit 7: 7-11 average daily sales per store

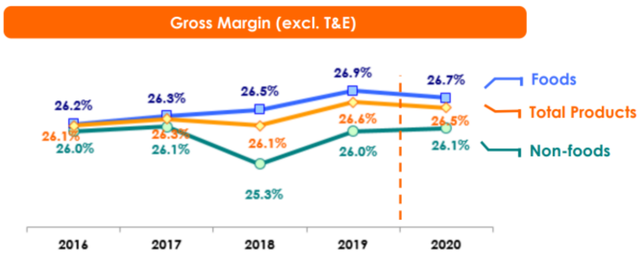


Sources: CPALL

CPALL's extensive nationwide network provides it with a significant competitive advantage, enabling superior economies of scale compared to its peers. This extensive scale allows for a more efficient distribution process. Furthermore, CPALL's strong network enhances its bargaining power with both suppliers and buyers, reinforcing its ability to maintain a competitive edge in pricing and operational efficiency. These factors collectively contribute to the company's consistent growth and resilience in an increasingly competitive commerce sector.

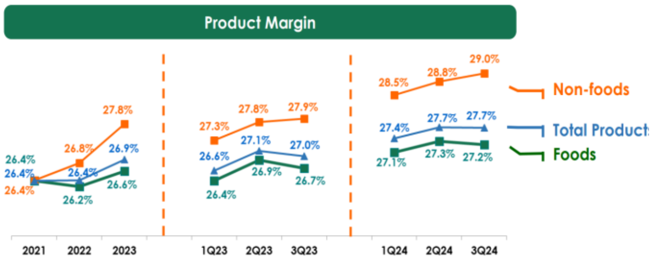
Over the past decade, CPALL has demonstrated remarkable operational efficiency, as reflected in its steadily improving GPM. From around 25% in 2014, increased to 26% in 2016 and has continued to grow, reaching nearly 28% by 3Q24. This consistent improvement in profitability highlights CPALL's ability to effectively manage costs while expanding its customer base and maintaining strong customer loyalty. The combination of improved margins and customer growth underscores the high quality and sustainability of CPALL's business model, making it a standout performer in the sector.

Exhibit 8: CPALL's GPM 2016-2020



Sources: CPALL

Exhibit 9: CPALL's GPM 2021-2024

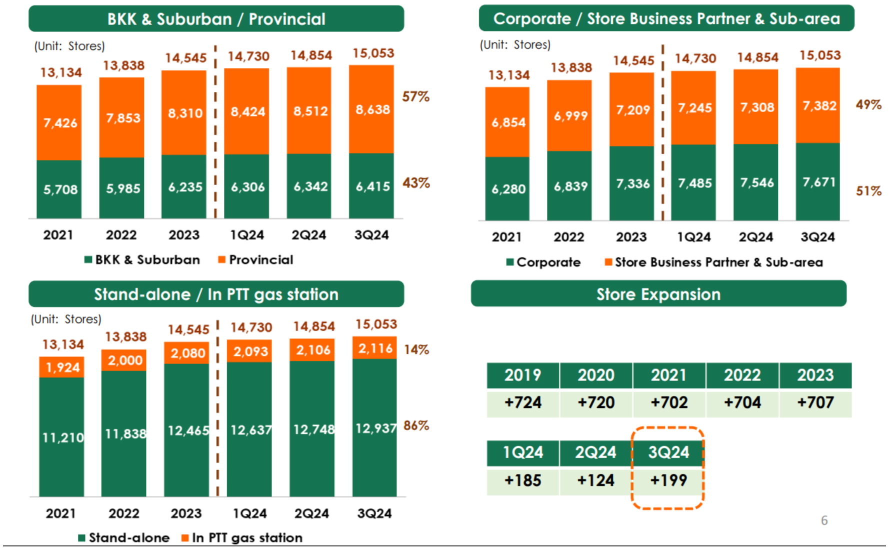


Sources: CPALL

Has 7-11 reached its limit, or is there still room to grow?

CPALL has been expanding around 700 stores yearly since 2014, which as of 3Q24E, total number of 7-11 in Thailand is now over 15,000 stores.

Exhibit 10: 7-11 store breakdown



Sources: CPALL

When evaluating the limit CVS in Thailand, it is crucial to consider comparable markets. While South Korea and Taiwan offer insights into high CVS density, we think it is unlikely to serve as direct benchmarks for Thailand.

South Korea, despite having a smaller population, supports approximately twice the number of CVS as Thailand due to its high population density and advanced urbanization. Similarly, Taiwan's population density and urban lifestyle drive a higher CVS density, making these markets less applicable for defining Thailand's maximum CVS potential.

Exhibit 11: Population per CVS

Country	Population (million)	Number of CVS (stores)	Population per CVS
South Korea	51.7	48,480	1,066
Taiwan	23.4	13,706	1,709
Japan	124.5	56,000	2,223
Thailand	71.8	20,000	3,590
Singapore	5.9	1,000	5,900
Indonesia	277.5	46,118	6,017
Malaysia	34.3	3,714	9,235

Sources: World Bank, Globlex Research

Japan, on the other hand, provides a more relevant comparison. With a land area closer to Thailand and a CVS market that has stabilized at over 50,000 stores for decades, Japan offers a clearer benchmark. If Thailand were to reach a population-to-CVS ratio similar to Japan, where there is one CVS for every 2,200 people, Thailand could potentially sustain around 32,000 stores. This represents a 60% increase from the current estimate of 20,000 stores, highlighting significant room for growth under optimal conditions.

However, achieving this number would represent a best-case scenario. The real measure of whether Thailand's CVS market is approaching maturity lies in tracking the Average Daily Sales per Store (ADSS). Expansion should not come at the expense of store performance. If ADSS continues to grow alongside store openings, it would indicate that the market has yet to reach saturation and that additional expansion is viable. Conversely, if ADSS stagnates or declines, it could signal that the market is nearing its limit.

Exhibit 12: Countries population density

Country	Population (million)	Land Area (sq km)	Population density (person/sq km)
South Korea	51.7	97,230	532
Taiwan	23.4	32,260	726
Japan	124.5	364,485	342
Thailand	71.8	513,120	140
Singapore	5.9	710	8,310
Indonesia	277.5	1,811,570	153
Malaysia	34.3	328,550	104

Sources: World Bank, Globlex Research

In terms of valuation, CPALL's current P/E ratio is trading at -1SD range for both its 2-year and 5-year historical averages. Over the past 5 years, CPALL's average P/E ratio has been 27x, while the 2-year average stands at 25x. Currently, the P/E ratio is around 21x, reflecting a lower valuation despite the enterprise value being consistent with the levels of the past five years. This discount is largely attributable to improved net profit performance during this period, which has outpaced the growth in enterprise value.

Looking ahead, we think the 5-year mean P/E of 27x is not an appropriate benchmark given CPALL's larger store base and more extensive market coverage, which could make it more challenging to achieve the same growth rates as in earlier years. Instead, the 2-year mean P/E of 25x serves as a more realistic comparison, aligning with the company's current scale and market dynamics. With CPALL's strong business model and its near-monopoly in the convenience store sector, the current valuation provides an attractive entry point. As such, we chose CPALL as our top pick in the commerce sector.

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CPN's: Mixed-use mastery and predictable growth

CPN stands out as another high-quality company within the commerce sector, backed by a robust business model that aligns seamlessly with Thai consumer lifestyles. In Thailand's hot and humid climate, shopping malls have become an integral part of daily life, serving not just as retail hubs but as social and leisure destinations. CPN has leveraged this cultural aspect to establish itself as the leading mall operator, with a consistent track record of success. Over the past decade, CPN has achieved a CAGR of 8-9% in both revenue and net profit, reflecting its strong operational efficiency and strategic expansion.

What sets CPN apart from other commerce players is its highly resilient business model. More than 80% of its revenue comes from mall rentals, providing a stable and predictable income stream that is less reliant on consumer spending compared to other retail businesses.

Even during the COVID-19 pandemic, when CPN had to offer discounts to tenants, it maintained stable recurring income, showcasing the defensive nature of its earnings. With its proven ability to deliver steady growth and navigate economic challenges, we select CPN as our second top pick in the commerce sector, offering a blend of quality, resilience, and long-term growth potential.

Exhibit 13: CPN's portfolio

Sources: CPN

The path to mastery lies in developing strengths into unmatched expertise

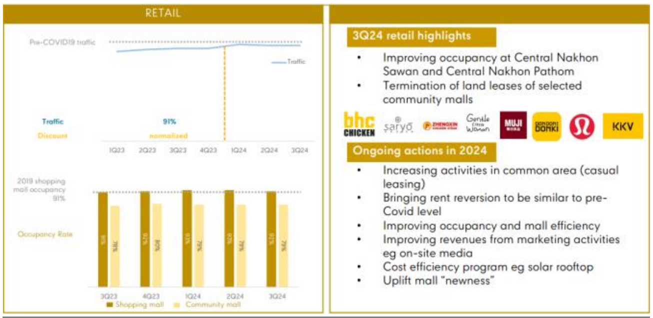
In addition to CPN's mall rental revenue, CPN has strategically leveraged its expertise in shopping mall development to create mixed-use properties that integrate shopping malls with offices, residences, and hotels. This diversified approach not only enhances the value of each development but also sets CPN apart from competitors in the real estate and hospitality sectors.

By combining multiple revenue streams within a single project, CPN maximizes land utilization and creates a self-sustaining ecosystem that attracts a diverse customer base. This unique edge strengthens its market position and provides greater stability and growth opportunities compared to traditional mall operators or single-segment developers.

CPN's mall traffic has shown steady recovery over the years following the COVID-19 pandemic-induced closures, with current levels nearing full normalization. The rental discounts offered during the pandemic have also been phased out since 2H23, reflecting a return to pre-pandemic operating conditions. Notably, mall occupancy has now surpassed pre-COVID levels, alleviating any concerns about tenant demand or space utilization.

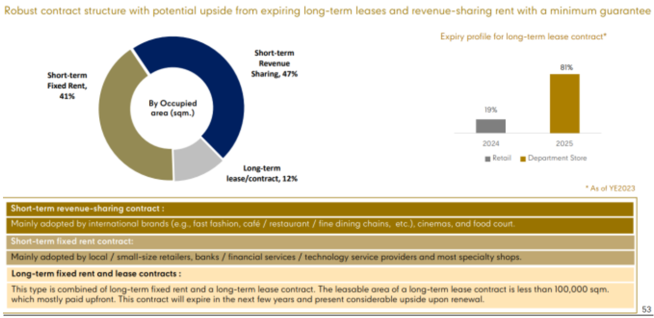
Additionally, CPN appears to be increasingly adopting a revenue-sharing model for high-performing stores, which offers greater earnings potential during stable economic periods compared to fixed rental models. This strategic shift aligns with CPN's focus on maximizing revenue while maintaining strong tenant relationships, further enhancing its growth outlook.

Exhibit 14: Rental traffic and occupancy rate



Sources: CPN

Exhibit 15: Rental contract structure



Sources: CPN

For 2025, CPN is targeting a 10% CAGR in revenue growth, supported by its pipeline of new projects and ongoing renovations. Key developments include the opening of Central Krabi in 2H25E and the highly anticipated Dusit Central Park mega-project in 4Q25E. In addition to these launches, CPN is investing in the modernization of its existing malls (as shown in Exhibit 17) to enhance customer experiences and maintain its competitive edge.

We expect Central Krabi to contribute 1-2% to CPN's total revenue once it achieves a normal occupancy rate of 90%. Meanwhile, Dusit Central Park, designed to cater to higher-tier customers on par with CentralWorld, is one of the largest malls ever developed by CPN, comparable in size to CentralWorld. When Dusit Central Park reaches its typical occupancy levels, it is projected to contribute 8-10% of CPN's total revenue.

Based on historical trends, CPN typically takes up less than a year to achieve normal occupancy levels for new mall openings. For example, Central Westville, which opened in 3Q23 in an urban area, began with a 92% occupancy rate and increased to 96% as of 3Q24. On the other hand, Central Nakhon Sawan, which opened in 4Q23 with a starting occupancy of 76%, reached 90% within 3 quarters. Given Dusit Central Park's prime location, we expect a similarly rapid ramp-up, minimizing concerns about occupancy.

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Exhibit 16: Dusit Central Park

Sources: CPN

Exhibit 17: Asset enhancement plans

Sources: CPN

In terms of valuation, we view CPN's current P/E ratio of 15x as offering more upside than downside risk. With a business model that generates predominantly recurring income and its position as one of the most beloved mall destinations among Thai consumers, CPN remains a highly resilient and attractive investment.

Historically, CPN has traded at a P/E closer to 20x, which we believe is a fair valuation for a company of its caliber, given its strong fundamentals and steady growth trajectory. Currently, the stock is trading below -1SD of its 2-year and 5-year P/E averages, providing an attractive entry point. With consistent growth prospects of 8-10% annually, we see room for re-rating and believe CPN offers a compelling upside while maintaining limited downside risk.

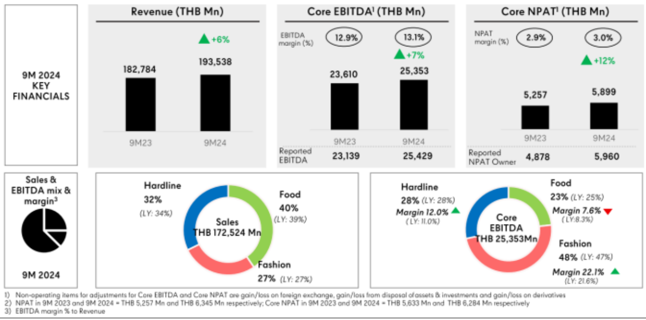
CRC: A snowflake out of a cloudy sky in 4Q24

CRC’s earnings are heavily influenced by its exposure to non-essential product categories, differentiating it from peers like CPALL and CPN. Over 50% of CRC’s EBIT is derived from its fashion segment, with the remaining contributions split between hardline products (30%) and food (20%).

This reliance on discretionary spending makes CRC more vulnerable to economic fluctuations. In 2024, demand for non-essential products underperformed expectations, reflecting the broader challenges in Thailand’s economy and dampening growth in key segments like fashion and hardline.

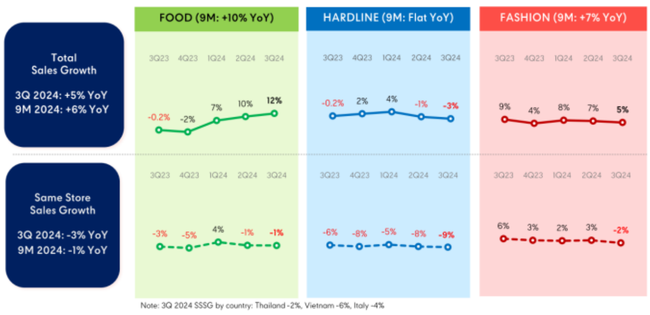
Despite these challenges, CRC’s diversified revenue streams across three countries—Thailand, Vietnam (food business), and Italy (fashion business)—helped the company achieve a 6% revenue growth to THB194b. However, this growth fell short of investor expectations, leading to a YTD stock price decline of 15%. The market's reaction underscores concerns over CRC’s sensitivity to non-essential spending trends, even as its geographic diversification provides some resilience.

Exhibit 18: CRC's 9M24 key financials



Sources: CRC

Exhibit 19: CRC's sales trend by business segment



Sources: CRC

Concerns surrounding Thailand's economic recovery and subdued consumer confidence remain key challenges for CRC, especially given its significant exposure to non-essential product categories.

We believe the recovery in consumer confidence will take time, with a meaningful improvement likely after the mass distribution of the THB10,000 initiative, expected in 2H25E. Until then, spending on discretionary items may remain constrained, limiting the growth potential for CRC's fashion and hardline businesses, which contribute significantly to its profitability.

Will Festive winds bring Snowflakes to 4Q24?

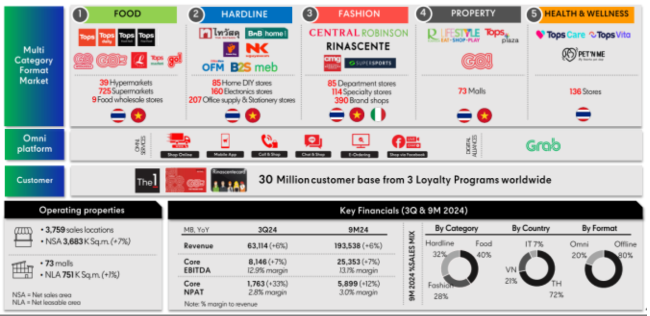
However, 4Q24E, the festive season, is traditionally CRC's best-performing quarter, particularly for its fashion segment, which is the company's most profitable category. This seasonal boost could attract short-term fund flows, potentially lifting CRC's stock price in the near term.

With the combination of holiday-driven consumer spending and CRC's dominant position in fashion retail, we believe there is an opportunity for short-term gains as the market prices in better performance during this key quarter.

From a valuation perspective, CRC is currently trading at a blended forward P/E of 20x, slightly higher than its -1SD range but still below its 2-year average of 24x. This valuation reflects ongoing economic uncertainties in Thailand. For long-term investors, CRC remains a compelling growth story, with expected annual growth of 8-10% driven by its expansion plans and synergies with CPN's new malls.

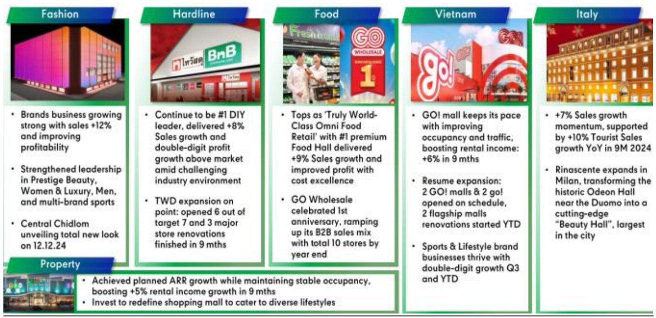
However, investors should closely monitor consumer confidence and economic trends, as these factors heavily influence CRC's performance in non-essential product categories. While CRC's long-term potential is intact, the festive quarter presents a favorable opportunity for short-term investors to capitalize on seasonal trends.

Exhibit 20: CRC's business portfolio



Sources: CRC

Exhibit 21: CRC's 9M24 development



Sources: CRC

CPAXT: Priced for progress, Waiting for potential

The CP Group continues to dominate the essential goods sector, with CPALL's 7-Eleven catering to the convenience retail segment, CPAXT's Makro serving the wholesale market, and its recent acquisition of Lotus's capturing the mid-tier retail segment. Together, these businesses create a comprehensive ecosystem that fulfills the everyday needs of consumers across all demographics. Among these, CPAXT stands out as a cornerstone of the CP Group's strategy, addressing both business-to-business and business-to-consumer markets through its dual-format operation.

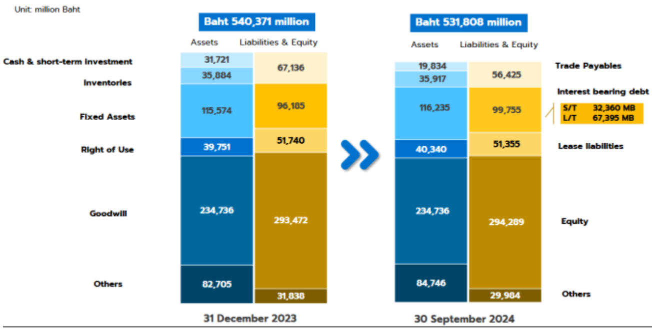
While CPAXT is essential to daily life, its growth trajectory is characterized by steady, incremental progress compared to the faster expansion of its peers, CPALL, CPN and CRC. In 9M24, CPAXT's revenue grew 5% y-y to THB361b, while net profit surged 23% to THB6.6b. This profit growth reflects the company's operational efficiency and cost control, as well as the benefits of financial restructuring.

Exhibit 22: CPAXT's 9M24 financial performance

Unit: million Baht	3Q24	2Q24	3Q23	%YoY	9M24	9M23	%YoY
Total sales	**118,864**	**121,374**	**113,838**	**4.4%**	**361,420**	**343,863**	**5.1%**
Wholesale [1]	66,774	67,168	63,486	5.2%	201,742	191,275	5.5%
Retail [2]	52,090	54,206	50,352	3.5%	159,678	152,588	4.6%
Mall income [3]	**3,598**	**3,574**	**3,594**	**0.1%**	**10,694**	**10,636**	**0.5%**
Total revenues	**124,441**	**126,956**	**119,502**	**4.1%**	**378,416**	**361,336**	**4.7%**
Gross profit on Sales	**17,107**	**17,120**	**15,620**	**9.5%**	**51,257**	**47,266**	**8.4%**
EBITDA	8,306	8,556	7,961	4.3%	25,874	25,002	3.5%
DC&A expenses	17,397	16,919	16,263	7.0%	51,154	48,676	5.1%
EBIT	3,861	4,279	3,517	9.8%	12,792	11,809	8.3%
Finance costs	1,433	1,450	1,403	2.2%	4,297	4,868	(11.7%)
Reported Net profit	**1,952**	**2,176**	**1,677**	**16.4%**	**6,609**	**5,358**	**23.3%**
Adjusted EBITDA [4]	**8,819**	**8,540**	**7,935**	**11.2%**	**26,269**	**24,566**	**6.9%**
Adjusted EBIT [4]	**4,374**	**4,263**	**3,491**	**25.3%**	**13,187**	**11,373**	**16.0%**
Adjusted Net profit [5]	**2,410**	**2,171**	**1,658**	**45.3%**	**6,959**	**5,352**	**30.0%**

Sources: CPAXT

Exhibit 23: CPAXT's financial position



Sources: CPAXT

Following the acquisition of Lotus's, the expected synergies between Makro and Lotus's have not materialized as significantly as we think. Before the acquisition, Makro and Lotus's reported net profits of around THB6b and THB8b, respectively.

However, post-M&A, CPAXT reported a combined net profit of THB8.6b in 2023, with an increase expected to THB10b in 2024E. This performance indicates that the merger has yet to unlock its full profitability potential, raising questions about CPAXT's ability to optimize the combined operations of these two major retail players.

The key factor limiting CPAXT's profitability is its current business strategy of prioritizing debt servicing. The company is utilizing the free cash flow generated by both Makro and Lotus's to cover annual interest costs of around THB5.7b, with any remaining cash directed toward reducing its interest-bearing debt, which currently stands at nearly THB100b.

This significant financial burden constrains CPAXT's ability to reinvest in growth initiatives or operational enhancements, which could further improve profitability. Until the debt burden eases, CPAXT's capacity to fully realize the benefits of the merger will likely remain constrained, impacting its long-term growth trajectory.

Exhibit 24: Transformational growth for CPAXT

Sources: CPAXT

Exhibit 25: Omni-channel plan

Sources: CPAXT

Beyond its financial aspects, CPAXT demonstrates an operational edge over competitors like Go-Wholesale and traditional markets through continuous enhancements to its in-store shopping experience. The integration of Lotus's and Makro stores is also one of its strategies, creating a hybrid model that caters to both bulk buyers and retail customers.

This strategic renovation not only improves store utilization but also expands CPAXT's appeal to a broader customer base. However, we believe the growth potential of in-store sales will likely align with Thailand's GDP growth, currently averaging around 3%, suggesting limited upside from this segment alone.

The true growth driver for CPAXT lies in its omni-channel strategy, which leverages digital platforms like the Lotus's and Makro apps alongside its CP-AXTRA salesforce. The company has strategically positioned itself to capture evolving consumer behaviors by integrating online and offline channels.

Its dedicated salesforce of over 1,300 personnel plays a critical role in this effort, focusing on building strong relationships with frequent customers, taking orders, and ensuring seamless delivery of products, all without requiring customers to physically visit stores. This approach enhances customer loyalty and stickiness while catering to modern consumers' demand for both value and convenience.

Exhibit 26: CPAXT's mall development

Sources: CPAXT

Exhibit 27: CP AXTRA salesforces

Sources: workpointtoday

According to EuroMonitor, Thailand's food retail market is valued at around THB2.6tr, with CPAXT commanding a 19% market-share. In comparison, competitors like Big C, Central's Tops, and Go-Wholesale collectively account for total of 6-7%. Notably, traditional markets still dominate the landscape, comprising roughly 70% of the total market.

With CPAXT's strategic focus on convenience, enhanced customer relationships, and omni-channel capabilities, the company is well-positioned to capture a larger share of this untapped market. By leveraging its expansive network, strong salesforce, and hybrid retail-wholesale model, CPAXT has a compelling opportunity to attract customers transitioning from traditional markets to more modern, efficient retail format.

Exhibit 28: Food retail market landscape

Company	Average revenue (THB m)	% to total food retail market
Makro	270,000	10
Lotus's	215,000	8
Big C	101,000	4
Tops	50,000	2

Sources: Globlex Research

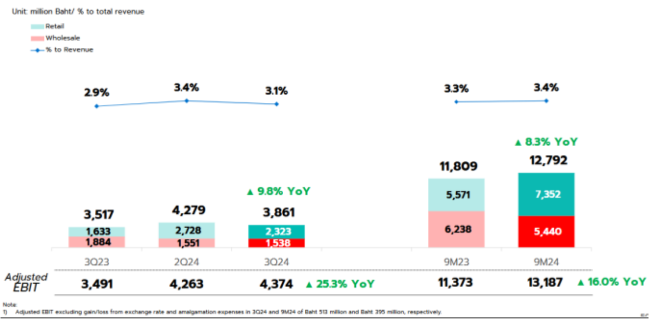
Despite the inherent stability of CPAXT's business, which is anchored in essential goods, its current valuation offers limited upside compared to its 3 mentioned peers. The stock has performed well over the year, reflecting its operational stability, with a YTD gain of 23%. However, the current blended forward P/E of 30x is in line with its 2-year and 5-year historical averages, indicating that much of the stock's potential has already been priced in. This elevated valuation contrasts with the lower P/E ratios of its peers, many of which are trading around their -1SD levels, providing greater upside potential.

Why is CPAXT's P/E so high despite slower growth?

The higher P/E ratio for CPAXT can be attributed to market expectations surrounding the synergies from its merger with Lotus's, which include anticipated boosts in net profit. However, we believe these benefits may take longer to materialize due to substantial depreciation costs associated with post-merger integration. Specifically, CPAXT is incurring THB8b in depreciation expenses for IT system changes (depreciated over 7 years) and THB3b for rebranding (depreciated over 5 years). These costs weigh on profitability in the near term, but by 2026, CPAXT is expected to realize a cost reduction of around THB600m, equivalent to 6% of its current net profit, with an additional THB1b in savings anticipated after 2028.

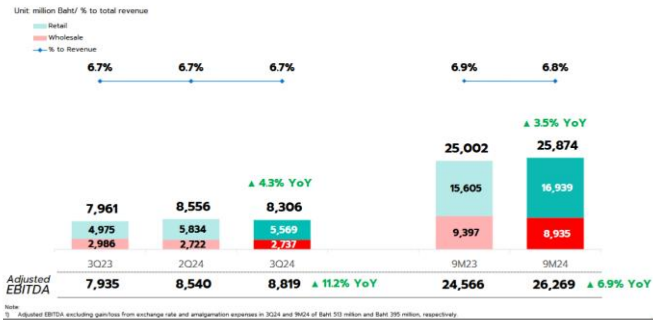
Given the current P/E of 30x, we believe the stock's upside is constrained in the near term, especially when compared to peers with more favorable valuations and growth trajectories. While CPAXT's long-term potential remains intact, supported by its essential goods focus and operational synergies, the timeline for meaningful profit enhancement may not align with current market expectations.

Exhibit 29: CPAXT's EBIT and GPM



Sources: CPAXT

Exhibit 30: CPAXT's EBITDA



Sources: CPAXT

In 2024, Thailand's commerce sector experienced a mixed recovery, with improved demand for essential items like food and beverages, while discretionary spending remained subdued due to economic uncertainties, equity market volatility, and high household debt at 90% of GDP. Both the BSI and CCI trended downward for most of the year, reflecting cautious consumer behavior, though early signs of recovery were observed in Sep-Oct, driven by the government's THB10,000 scheme, which temporarily boosted sentiment among lower-income households. Looking forward, the April 2025 rollout targeting seniors is expected to have minimal impact, but the mass distribution in 2H25 could be a pivotal moment, injecting liquidity into the economy and significantly lifting consumer confidence and spending across essential and discretionary categories, paving the way for a more balanced recovery.

CPALL stands out for its consistent SSSG, robust fundamentals, and near-monopoly in the convenience store segment. With steady improvements in spending per ticket and recovering customer traffic, coupled with a strong expansion pipeline of 700+ stores annually, CPALL offers both stability and growth. Trading at a P/E of 21x, below its historical averages, it provides an attractive entry point for long-term investors seeking resilience and sustained profitability in Thailand's commerce sector.

CPN's mall rental-driven business model ensures a stable income stream, less reliant on discretionary consumer spending, making it highly resilient. With a 10-year CAGR of 8-9% in revenue and net profit, strategic expansion, and modernization efforts, CPN continues to deliver consistent growth. Currently trading at a P/E of 15x, below historical levels, CPN presents an attractive investment for those seeking quality and predictable long-term returns in Thailand's commerce sector.

CRC's heavy reliance on discretionary spending makes it sensitive to economic cycles, but its diversified operations across Thailand, Vietnam, and Italy offer resilience. The festive 4Q24 season is expected to boost its fashion segment, presenting short-term opportunities. Although its current P/E of 20x reflects economic headwinds, CRC's long-term growth potential, supported by 8-10% annual expansion and synergies with CPN's new malls, remains intact for investors with a longer horizon.

CPAXT, a key player in essential goods retail, provides steady growth driven by its dual-format operations in Makro and Lotus's. However, its elevated P/E of 30x reflects market expectations for merger synergies that remain constrained by high debt servicing and depreciation costs. While CPAXT's long-term potential is supported by operational efficiencies and cost reductions post-2026, near-term upside is limited, making it a cautious play for investors seeking stability.

Exhibit 31: Stock comparison

Company	Current P/E ratio	Blended Forward P/E	2-Year Avg P/E	5-Year Revenue CAGR (%)	5-Year Net Profit CAGR (%)	Target Price (THB)	Recommendation	Note
CPALL	23.4	21.2	25.4	12.0	8.2	75.0	BUY	
CPAXT	35.8	30.4	29.8	19.0	10.7	39.5	BUY	Lotus's M&A in 2021
CPN	15.9	15.1	20.2	8.8	11.7	72.0	BUY	
CRC	21.2	21.2	23.8	5.0	n/a	40.0	BUY	Mall lockdown in 2020-2021

Price as 11-Dec 2024
Sources: Globlex Research, Bloomberg

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Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

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RECOMMENDATION STRUCTURE
Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause 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.

Sector Recommendations

Overweight: The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: 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: 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: 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.