

### COMPANY UPDATE

## CP ALL (CPALL TB)

Most Resilient Earnings Growth Among Peers

We expect CPALL's 4Q23 earnings to grow 52% yoy on the back of convenience store improvements and lower interest expenses. 1Q24 earnings are expected to continue delivering impressive growth on a yoy basis. We expect 2023-24 net profit to increase by 33.7% and 16.2% respectively. We like CPALL given its resilient earnings growth and discounted valuation. Maintain BUY. Target price: Bt76.00.

### WHAT'S NEW

#### 4Q23 RESULTS PREVIEW

Year to 31 Dec (Btm)	4Q22	3Q23	4Q23F	yoy (%)	qoq (%)
Sales and services	218,863	220,051	229,806	5.0	4.4
Gross profit	47,155	47,966	50,295	6.7	4.9
Operating EBIT	2,953	3,480	4,526	53.3	30.1
Net profit	3,138	4,424	4,773	52.1	7.9
Percent	4Q22	3Q23	4Q23F	yoy (ppts)	qoq (ppts)
Gross margin	21.5	21.8	21.9	0.3	0.1
SG&A to sales	20.2	20.2	19.9	(0.3)	(0.3)
Net profit margin	1.4	2.0	2.1	0.6	0.1

Source: CPALL, UOB Kay Hian

- Strong yoy earnings growth in 4Q23.** We expect CPALL's 4Q23 earnings to come in at Bt4,773m, increasing 52% yoy and 8% qoq. The key drivers on a yoy basis are 7-11 convenience store improvement and lower interest expenses of CPAXTRA (CPAXT, 59.92%-owned by CPALL).
- Resilient 4Q23 top-line improvement.** CPALL's total sales in 4Q23 is expected to grow 5% yoy on the back of positive same-store-sales (SSS) growth for 7-11 convenience stores (3% yoy) and CPAXT (3.5% yoy). There are also additional sales from 7-11 convenience store growth of 5.3% yoy in 4Q23.
- Strong profitability enhancement.** We expect 4Q23's gross margin to improve to 21.9%, up from 21.5% in 4Q22 and 21.8% in 3Q23, driven by improvement in sales of high margin products such as ready-to-eat goods. However, we expect a yoy decline in CPAXT's 4Q23 gross profit margin to 14.1% from 14.4% in 4Q22, pressured by softened gross profit margin of the Lotus business. Makro's 4Q23 gross margin is expected to be flattish on a yoy basis.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	565,207	829,099	885,757	922,859	961,953
EBITDA	26,349	45,266	48,854	56,147	61,160
Operating profit	3,502	12,585	15,445	19,641	21,331
Net profit (rep./act.)	12,986	13,272	17,741	20,606	22,606
Net profit (adj.)	12,986	13,272	17,741	20,606	22,606
EPS (Bt)	1.4	1.5	2.0	2.3	2.5
PE (x)	36.3	35.5	26.6	22.9	20.9
P/B (x)	4.5	4.7	4.2	3.8	3.5
EV/EBITDA (x)	39.1	22.8	21.1	18.4	16.9
Dividend yield (%)	1.1	1.4	1.9	2.2	2.4
Net margin (%)	2.3	1.6	2.0	2.2	2.4
Net debt/(cash) to equity (%)	350.6	372.3	323.3	293.4	266.9
Interest cover (x)	2.1	2.7	3.0	3.6	4.0
Consensus net profit	-	-	17,303	20,864	24,190
UOBKH/Consensus (x)	-	-	1.03	0.99	0.93

Source: CP ALL PCL, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	Bt52.50
Target Price	Bt76.00
Upside	+44.8%

### COMPANY DESCRIPTION

Operator of Thai 7-Eleven stores, controlling more than 50% share of convenience store market in Thailand.

### STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	CPALL TB
Shares issued (m):	8,983.1
Market cap (Btm):	471,612.8
Market cap (US\$m):	13,222.7
3-mth avg daily t'over (US\$m):	38.8

### Price Performance (%)

52-week high/low Bt70.00/Bt51.00

1mth	3mth	6mth	1yr	YTD
(5.4)	(5.8)	(17.3)	(22.8)	(6.3)

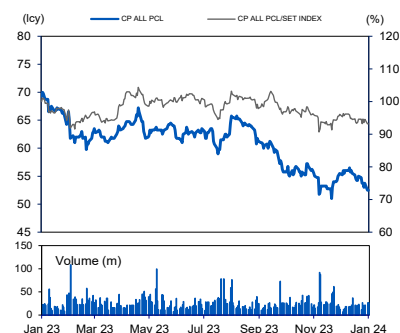
### Major Shareholders

CPF	31.82
NVDR	10.78
SOUTH EAST ASIA UK (TYPE C)	5.36
NOMINEES LIMITED	

FY24 NAV/Share (Bt) 13.74

FY24 Net Debt/Share (Bt) 40.32

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

**Kampon Akaravarinchai**  
+662 659 8031  
kampon@uobkayhian.co.th

- **Lower interest expenses.** We expect a huge reduction in 4Q23 interest expenses on a yoy basis, mainly due to CPAXT's debt restructuring since the beginning of 2023.

### STOCK IMPACT

- **Resilient 2024 earnings growth momentum.** We expect CPALL's 1Q24 earnings momentum to continue delivering impressive growth on the back of continuous positive SSS of low-single-digits, gross margin improvement, and lower interest expenses from CPAXT's debt restructuring. Note that the lower interest expenses will normalise in 2Q24. We estimate CPALL's 2023 earnings to come in at Bt17,741m, up 33.7% yoy, and 2024 earnings to improve 16.2% yoy on the back of top-line improvement, gross profit margin expansion and lower interest expenses.
- **Government's Bt10,000 digital wallet policy.** Currently, the board of the digital wallet policy committee has not yet rescheduled its committee meeting since the postponement last week. The government also mentioned the delay in policy implementation from May 24. We expect that the committee will wait for the suggestion from the National Counter Corruption Commission (NCCC), but the timeline of NCCC's study submission is still unclear. However, our view remains unchanged that this kind of policy will be eventually carried out due to political pressure on the government.

### EARNINGS REVISION/RISK

- We have revised our 2023-24 earnings to reflect the updated assumption on higher sales, lower gross margin from Lotus hypermarket and lower interest expenses.

(Bt m)	2023F			2024F		
	New	Previous	% Chg	New	Previous	% Chg
Total revenue	885,757	881,133	0.5%	922,859	918,139	0.5%
Gross profit	193,213	194,938	-0.9%	203,092	204,793	-0.8%
Operating profit	15,445	16,711	-7.6%	19,641	20,298	-3.2%
Net profit	17,741	16,654	6.5%	20,606	20,100	2.5%

Source: CPALL, UOB Kay Hian

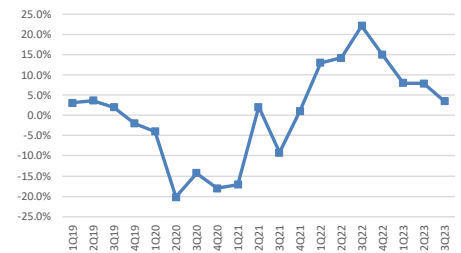
### VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt76.00.** We adopt the PE valuation method. Our target is based on CPALL's 10-year historical mean, which is equivalent to 33x. We still like the company's long-term growth outlook and believe this would be a good accumulation opportunity given its share price currently trades at only 22.9x 2024F PE.

### SHARE PRICE CATALYST

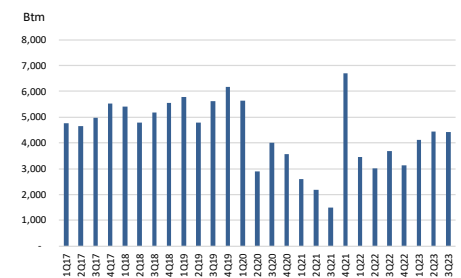
- a) Strong gross margin improvement in 4Q23, b) lower SGA-to-sales following the decrease in electricity costs, and c) the government's stimulus packages in 2024.

### SAME-STORE SALES GROWTH



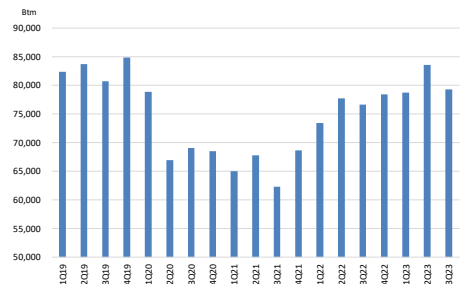
Source: CPALL

### NET PROFIT BY QUARTER



Source: CPALL

### AVERAGE DAILY SALES PER STORE



Source: CPALL

### PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	829,099	885,757	922,859	961,953
EBITDA	45,266	48,854	56,147	61,160
Deprec. & amort.	32,681	33,409	36,506	39,829
EBIT	12,585	15,445	19,641	21,331
Total other non-operating income	23,223	24,892	25,019	25,364
Associate contributions	831	763	1,052	1,104
Net interest income/(expense)	(16,548)	(16,258)	(15,625)	(15,206)
<b>Pre-tax profit</b>	<b>20,082</b>	<b>25,303</b>	<b>30,087</b>	<b>32,594</b>
Tax	(3,861)	(4,295)	(5,081)	(5,511)
Minorities	(2,949)	(3,268)	(4,400)	(4,477)
<b>Net profit</b>	<b>13,272</b>	<b>17,741</b>	<b>20,606</b>	<b>22,606</b>
Net profit (adj.)	13,272	17,741	20,606	22,606

### CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>52,021</b>	<b>72,357</b>	<b>53,788</b>	<b>74,184</b>
Pre-tax profit	20,082	25,303	30,087	32,594
Tax	(3,861)	(4,295)	(5,081)	(5,511)
Deprec. & amort.	32,681	33,409	36,506	39,829
Working capital changes	(180)	20,367	(9,098)	6,838
Non-cash items	3,299	(2,427)	1,374	434
Other operating cashflows	0	0	0	0
<b>Investing</b>	<b>(43,143)</b>	<b>(51,822)</b>	<b>(45,908)</b>	<b>(64,023)</b>
Capex (growth)	(40,866)	(45,386)	(46,043)	(43,505)
Investments	(1,120)	(305)	(421)	(442)
Others	(1,157)	(6,130)	556	(20,076)
<b>Financing</b>	<b>(34,122)</b>	<b>(21,033)</b>	<b>(8,120)</b>	<b>(9,553)</b>
Dividend payments	(5,390)	(6,737)	(8,870)	(10,303)
Issue of shares	0	0	0	0
Proceeds from borrowings	(15,395)	(14,296)	750	750
Others/interest paid	(13,337)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>(25,243)</b>	<b>(498)</b>	<b>(241)</b>	<b>608</b>
Beginning cash & cash equivalent	97,134	71,891	71,393	71,152
Ending cash & cash equivalent	71,891	71,393	71,152	71,760

### BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	393,589	405,566	415,103	418,779
Other LT assets	381,517	393,595	393,210	415,374
Cash/ST investment	71,891	71,393	71,152	71,760
Other current assets	77,065	67,672	80,566	82,295
<b>Total assets</b>	<b>924,061</b>	<b>938,226</b>	<b>960,031</b>	<b>988,208</b>
ST debt	53,011	38,415	38,865	39,315
Other current liabilities	154,433	162,979	168,148	177,150
LT debt	393,872	394,172	394,472	394,772
Other LT liabilities	32,446	38,088	37,837	39,483
Shareholders' equity	100,724	111,727	123,463	135,766
Minority interest	189,577	192,845	197,245	201,722
<b>Total liabilities &amp; equity</b>	<b>924,061</b>	<b>938,226</b>	<b>960,030</b>	<b>988,208</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	5.5	5.5	6.1	6.4
Pre-tax margin	2.4	2.9	3.3	3.4
Net margin	1.6	2.0	2.2	2.4
Net profit (adj.)	2.2	33.7	16.2	9.7
<b>Leverage</b>				
Debt to total capital	60.6	58.7	57.5	56.3
Debt to equity	443.7	387.2	351.0	319.7
Net debt/(cash) to equity	372.3	323.3	293.4	266.9
Interest cover (x)	2.7	3.0	3.6	4.0

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK has provided investment banking services to the listed corporation covered in this report and has received compensation for such services in the preceding 12 months. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W