

Company Update

Tuesday, April 09, 2024



I V Global Securities Public Company Limited

CP Axta Pcl (CPAXT)

Rating: BUY

Fair price: Bt34.1

Close price: Bt31.0

1Q24F to see moderate growth

Company Information

Ticker:	CPAXT TB
Sector:	Commerce
Shares outstanding (m):	10,580.323
Market capitalization (Btm):	327,990.03
Trading vol/day (Btm):	231.24
Free float (%):	15.26
Beta:	1.30

Major Shareholders

CPALL Pcl	34.91%
Siam Makro Holding (Thailand)	25.01%
CP Holding	15.96%
CP Merchandising	8.85%
Thai NVDR	3.43%

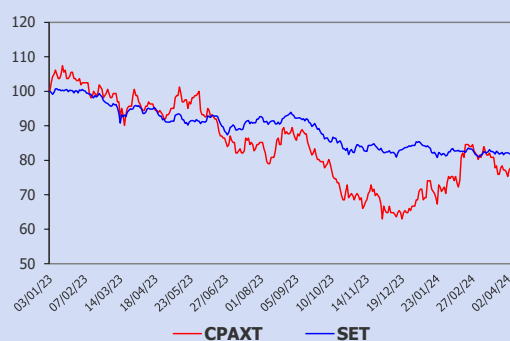
Consensus Bloomberg

2024F EPS (Bt):	1.02
Target price (Bt):	35.63

Price Performance

52 Wk high/low:	41.75 / 25.25
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	1M	3M	1Y	YTD
Absolute (%)	-6.1	6.9	-19.0	14.8
Relative (%)	-7.3	10.6	-6.5	17.7



Rating	CGR	Thai CAC	SET ESG
CPAXT		Certified	AAA

- We estimate CPAXT's 1Q24F earnings to come in at about Bt2.4bn (+11% YoY and -26.7% QoQ). The YoY positive earnings drivers during 1Q24F will come from same-store sales (SSSG) growth of 3-5% for CPAXT's wholesale business (B2B) versus mid-to-high single-digit growth for Lotus's retail (B2C) biz. We now estimate 1Q24F sales to rise by 6.2% YoY and fall 1.1% QoQ to Bt121bn. Last year, the sales contribution from MAKRO wholesale business accounted for 56% of the total and the remaining balance of 44% from the Lotus's retail business.
- We project consolidated sales in 1Q24F to grow by 6.2% YoY and fall 1.1% QoQ to Bt121bn, thanks to rising sales from both its B2B and B2C businesses. The B2B business will see low-to-mid single-digit growth for same-store-sales during 1Q24 while the B2C business will enjoy a higher growth story with a mid-to-high single-digit growth target, thanks to efforts to launch more ready-to-cook, ready-to-eat and bakery dairy products to stimulate sales. Omni channel sales account for about 12% of the total for retail business and 16% for wholesale. Fresh and dry food sales growth has outperformed growth in other categories.
- CPAXT opened two new stores during 1Q24, from a total of 168 stores at end-2023. Lotus didn't open any new stores in Thailand during the quarter while opened one new supermarket in Malaysia and closed four mini stores in Bangkok while converting one from a MAKRO store. Lotus had a total of 2,522 stores at the end of 2023.
- Rental income at Lotus's is expected to grow marginally with a stable occupancy rate of 93-94% for Thailand and Malaysia.
- We estimate the consolidated gross margin to come in flat QoQ at 14% for 1Q24F. The B2B biz-generated gross margin is predicted at the 10.8% level, while that for the B2C biz may come in stable at 18%, giving a blended gross margin of 14%.
- We estimate SG&A expenses to rise by 6.5% YoY to Bt1.7bn, accounting for 14.2% of consolidated sales.
- EBITDA is estimated to rise 2% QoQ but fall by 9% YoY to Bt9.2bn.
- Interest expenses will fall 22% YoY but rise a bit QoQ to Bt1.47bn with total debt remaining at Bt96bn.
- Maintain BUY.** While we maintain our 2024F earnings estimate, we cut our 2025-26F numbers by 2% p.a. to assume a slightly lower EBIT margin on potential rising SG&A expenses. We prefer to maintain our BUY rating on CPAXT with a price target of Bt34.1, based on a P/E multiple of 33x for 2024F. The stock trades at 30x our 2024F earnings. Downside risks would be if there were higher-than-expected operating expenses and a slower-than-expected recovery in economic activity.

Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Revenues (Btm)	258,630	447,182	466,234	494,672	521,788	550,214
Change (%)	20.8	72.9	4.3	6.1	5.5	5.4
Net profit (Btm)	13,687	7,697	8,640	10,927	12,620	14,181
Change (%)	108.6	(43.8)	12.3	26.5	15.5	12.4
EPS (Bt)	1.29	0.73	0.82	1.03	1.19	1.34
Change (%)	(5.4)	(43.8)	12.3	26.5	15.5	12.4
P/E (x)	24.0	42.6	38.0	30.0	26.0	23.1
EV/EBITDA (x)	22.4	11.4	11.2	12.1	11.7	11.0
DPS (Bt)	0.72	0.51	0.57	0.72	0.83	0.94
Yield (%)	2.3	1.6	1.8	2.3	2.7	3.0
BVPS (Bt)	29.36	27.44	27.69	28.23	28.90	29.67
P/BV (x)	1.1	1.1	1.1	1.1	1.1	1.0
ROE (%)	8.8	2.7	3.0	3.7	4.2	4.6
ROA (%)	3.8	1.4	1.6	2.0	2.4	2.6
Net DE ratio (%)	23.5	24.6	22.0	34.5	33.5	31.0

Source: Company and IVG estimates

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Results preview

(Btm)	1Q24F	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Sales	121,067	114,044	6.2	122,371	-1.1	466,234	447,182	4.3
Gross profit	16,931	16,017	5.7	17,075	-0.8	64,341	63,577	1.2
Other income	2,600	2,620	-0.8	2,575	1.0	9,412	8,472	11.1
SG&A	(17,155)	(16,106)	6.5	(16,292)	5.3	(64,968)	(62,842)	3.4
EBITDA	9,240	9,038	2.2	10,153	-9.0	35,065	35,083	-0.1
Interest expenses	(1,470)	(1,895)	-22.4	(1,451)	1.3	(6,319)	(7,122)	-11.3
Pre-tax profit	3,082	3,058	0.8	4,193	-26.5	11,394	10,636	7.1
Tax	(678)	(647)	4.7	(912)	-25.7	(2,535)	(2,729)	-7.1
Net profit	2,404	2,166	11.0	3,282	-26.7	8,640	7,697	12.3
EPS (Bt)	0.23	0.20	11.0	0.31	-26.7	0.82	0.73	12.3

Source: Company and IVG estimates

Financial ratios

(%)	4Q22	1Q23	2Q23	3Q23	4Q23
Total income YoY	21.8	7.3	2.3	3.3	4.2
Gross margin (%)	14.2	14.0	13.5	13.7	14.0
SG&A as % of sales	14.0	14.1	14.1	14.3	13.3
EBITDA margin	8.0	7.9	5.8	7.1	7.9
Net margin	2.1	1.9	1.3	1.5	2.7
Net profit growth YoY	(4.1)	18.3	(3.6)	4.7	21.7
Net DE ratio (%)	24.6	27.3	25.9	27.2	22.0
SSSG (Makro)	9.6	10.9	6.0	3.2	1.7
SSSG (Lotus Thai)	2.4	0.8	(0.9)	2.5	5.8
SSSG (Lotus Malaysia)	(2.4)	(0.9)	(12.2)	0.6	3.6

Source: Company and IVG estimates

Quarterly performance

(Btm)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Sales	106,268	113,364	110,162	117,389	114,044	115,980	113,838	122,371
Gross profit	15,121	15,695	15,950	16,811	16,017	15,629	15,620	17,075
Other income	1,941	1,985	2,019	2,527	2,620	2,148	2,070	2,575
SG&A	(14,725)	(15,776)	(16,031)	(16,310)	(16,106)	(16,306)	(16,263)	(16,292)
EBITDA	8,637	8,099	8,460	9,887	9,038	7,028	8,454	10,153
Interest expenses	(1,494)	(1,598)	(1,826)	(1,979)	(1,895)	(1,570)	(1,403)	(1,451)
Pre-tax profit	2,817	2,122	2,202	3,495	3,058	2,029	2,114	4,193
Tax	(767)	(549)	(603)	(810)	(647)	(527)	(448)	(912)
Net profit	2,050	1,573	1,602	2,472	2,166	1,516	1,677	3,282
EPS (Bt)	0.19	0.15	0.15	0.23	0.20	0.14	0.16	0.31

Source: Company and IVG estimates

Financial ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Total income YoY	20.9	93.7	104.7	21.8	20.8	72.9	4.3
Gross margin (%)	14.3	13.8	14.5	14.2	11.7	14.2	13.8
SG&A as % of sales	13.8	13.9	14.6	14.0	10.2	14.1	13.9
EBITDA margin	7.8	6.8	7.3	8.0	6.2	7.5	7.2
Net margin	1.9	1.4	1.5	2.1	5.3	1.7	1.9
Net profit growth YoY	18.3	22.2	1.9	(4.1)	108.6	(43.8)	12.3
Net DE ratio (%)	24.8	28.8	31.2	24.6	23.5	24.6	22.0
SSSG (Makro)	1.0	7.4	8.9	9.6	2.5	6.8	5.3
SSSG (Lotus Thai)	0.4	(2.1)	0.0	2.4	n.a.	0.2	2.1
SSSG (Lotus Malaysia)	(7.9)	8.3	(3.7)	(2.4)	n.a.	(1.8)	-2.5

Source: Company and IVG estimates

CPAXT IVG ESG Rating: GOOD	73%
E: Environmental	17%
Energy Efficiency Management	50%
Climate-Related Management	50%
Sustainable Water Management	50%
Sustainable packaging management	50%
Sustainable Waste Management	50%
Responsible Supply Chain Management	50%
S: Social	23%
Human Rights Management	50%
Education and Training Policy	50%
Occupational Health and Safety Policy	50%
Food Security and Access to Nutrition	100%
Corporate Social Responsibility Policy	100%
G: Governance	33%
Corporate Governance Rating (CGR)	100%
Employees Trained on Anti-Corruption	100%
Risk and Crisis Management	100%
Cybersecurity and Customer Data Privacy Protection	100%
Digitalization and Innovation	100%
Customer Relationship Management	100%

COMM sector	Scores	Weights	MAKRO
E: Environmental	12	33%	17%
S: Social	10	33%	23%
G: Governance	10	33%	33%
Total	32	100%	73%

Company ESG Policy Priorities		
POOR	MEDIUM	GOOD
1-50%	>50 - 70%	>70 - 100%

Source: Sustainability report from company 2022 and Criteria by IVG

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.



HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.



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