

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 60.00** (Unchanged)**Upside : 79.1%****5 SEPTEMBER 2013**

# CP All Public Co Ltd (CPALL TB)

## 2H13F bottom

**We expect CPALL's earnings to hit bottom in 2H13 on the takeout of high-interest rate loans, an FX loss given the weaker baht and MAKRO takeover fees. We then see takeover worries easing with its refinancing plan and strong EPS growth resuming at 40% and 25% in 2014-15F. We reaffirm BUY as one of our top retail picks.**

**PHANNARAI TIYPITTAYARUT**662 – 617 4900  
phannarai.von@thanachartsec.co.th**Daiwa**  
Capital Markets**Thanachart Securities**

### Weak profits in 2H13F

We forecast weak 2H13 profits for CPALL at Bt4.7bn (-12% y-y from Bt5.4bn and -20% h-h from Bt5.8bn). Core operations should grow well on branch openings and same-store sales growth with continued solid momentum from 9.7% in 1H13 driven by consumption growth, new products, larger store size replacements, greater product variety and heavy promotions, i.e. stamp campaign, but we see earnings being dragged by high interest costs on the takeout of loans for the initial Siam Makro (MAKRO) stake acquisition on 26 June and payment for remaining shares tendered on 8 August, a potential FX loss on US\$ loans given the baht depreciation and financial advisory fees for the MAKRO deal, most of which should be booked in 3Q13.

### Three impacts from baht depreciation

The baht has depreciated against the US\$ by 3.6% QTD to Bt32.17/US\$. Assuming the baht stays at Bt32/US\$1 toward year end, we expect three negative impacts: 1) A Bt574m FX loss in 2H13F versus Bt34m in 2Q13 on loans of US\$5.8bn, 2) higher interest-bearing debt shown on the B/S in baht, which would hike net D/E to 5.3x at end 2013F versus our earlier 4.6x forecast, and 3) higher interest expenses on rising baht debt, though some hedging should dilute the hit. We see upside risk as vice versa.

### Refinancing to ease cash call worries

As part of its bridging loan refinancing, CPALL plans to propose at the 19 September EGM a baht bond issuance of up to Bt90bn (48% of total US\$ loans assuming Bt32/US\$1). We see this lowering currency loss risk and relieving concerns over a capital call. Since the size is large, we expect the issuance to be in several tranches with the earliest one in 4Q13. And since they would be bullet repayment bonds, we expect the shortest tenor to be at least three years to balance the repayment schedule with the interest rate. Apart from bonds, we also expect CPALL to take out long-term bank loans. Thus, a cash call is unlikely in our view.

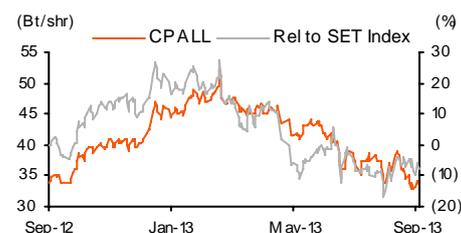
### Reaffirm BUY as a top sector pick

We cut 2013-15F net profits by 5-8% on assumptions of: 1) a total FX loss of Bt608m this year, 2) slower loan repayments with 15% repaid in three years by 2016 as the bond is part of its refinancing plan, 3) rising interest expenses on higher baht loans given the weaker baht, and 4) MAKRO's P&L consolidation from 3Q13 based on a 97.88% stake from 100% previously. We see strong growth resuming in 2014 and loan refinancing progress easing cash call worries, so we don't think CPALL deserves to trade at a valuation discount to sector peers. We reaffirm BUY on CPALL as one of our top retail picks along with Central Pattana (CPN TB, Bt36.25, BUY). Our 2014F rolled-over DCF TP remains at Bt60.0.

### COMPANY VALUATION

Y/E Dec (Bt m)	2012A	2013F	2014F	2015F
Sales	197,045	295,384	414,921	474,418
Net profit	11,023	10,531	15,608	19,518
Consensus NP	—	11,876	15,034	19,113
Diff frm cons (%)	—	(11.3)	3.8	2.1
Norm profit	10,985	11,140	15,608	19,518
Prev. Norm profit	—	11,464	16,510	20,572
Chg frm prev (%)	—	(2.8)	(5.5)	(5.1)
Norm EPS (Bt)	1.2	1.2	1.7	2.2
Norm EPS grw (%)	40.4	1.2	40.1	25.0
Norm PE (x)	27.3	27.0	19.3	15.4
EV/EBITDA (x)	16.9	21.9	13.9	11.4
P/BV (x)	11.3	10.4	8.4	6.6
Div yield (%)	2.7	2.7	3.0	3.6
ROE (%)	45.5	39.9	48.1	48.0
Net D/E (%)	(85.5)	533.3	412.0	300.7

### PRICE PERFORMANCE

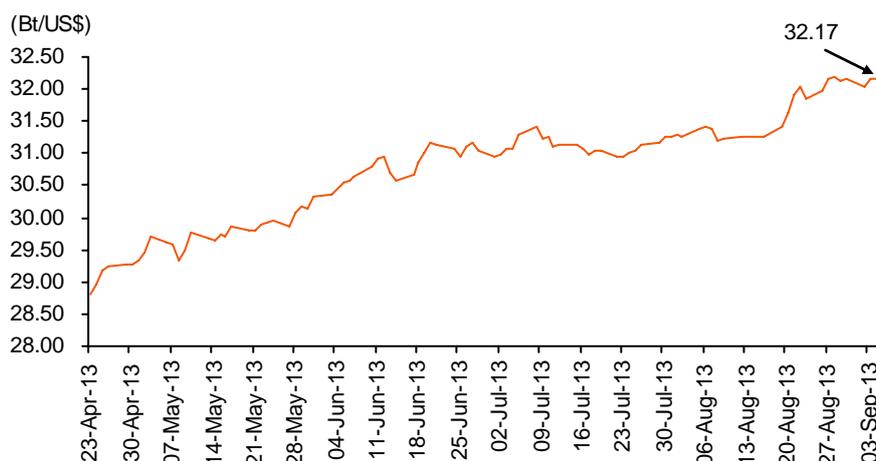


### COMPANY INFORMATION

Price as of 5-Sep-13 (Bt)	33.50
Market Cap (US\$ m)	9,314.0
Listed Shares (m shares)	8,983.1
Free Float (%)	50.0
Avg Daily Turnover (US\$ m)	52.3
12M Price H/L (Bt)	52.0/32.0
Sector	Retail
Major Shareholder	CP Group 48.0%

Sources: Bloomberg, Company data, Thanachart estimates

## Ex 1: Weaker Baht



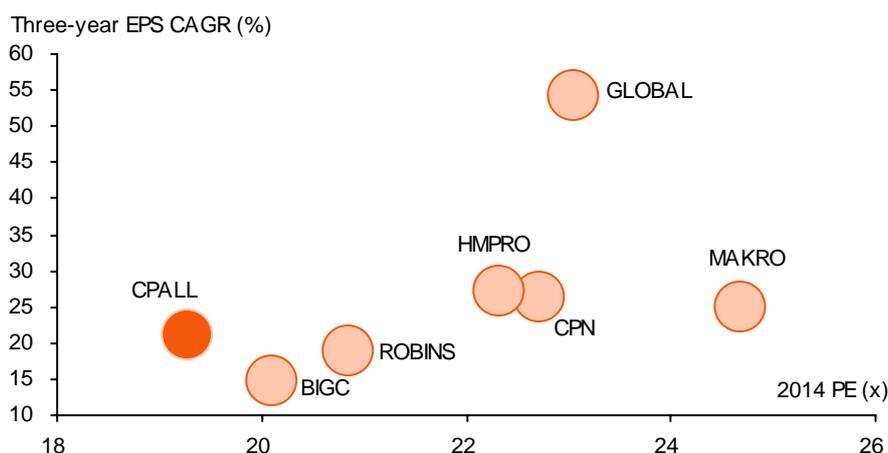
Source: Bloomberg

## Ex 2: Key Assumption Changes

	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
<b>Interest-bearing debt (Bt m)</b>												
- New	194,494	189,781	180,018	165,329	140,153	113,730	85,905	48,591	8,013	27	34	42
- Old	172,993	164,521	152,410	137,486	119,170	97,788	71,872	34,731	41	27	25	22
Change (%)	12.4	15.4	18.1	20.3	17.6	16.3	19.5	39.9	19,420.8	0.9	36.3	87.3
<b>Interest expenses (Bt m)</b>												
- New	(4,084)	(9,203)	(10,168)	(9,496)	(8,400)	(7,616)	(5,988)	(4,034)	(1,698)	(241)	(2)	(2)
- Old	(3,632)	(7,978)	(8,715)	(7,971)	(7,057)	(6,508)	(5,089)	(3,198)	(1,043)	(2)	(2)	(1)
Change (%)	12.4	15.4	16.7	19.1	19.0	17.0	17.7	26.2	62.8	11,683.7	17.8	60.4
<b>Net D/E (x)</b>												
- New	5.3	4.1	3.0	2.1	1.3	0.8	0.5	0.2	(0.1)	(0.3)	(0.4)	(0.5)
- Old	4.6	3.5	2.5	1.7	1.1	0.6	0.4	0.1	(0.1)	(0.3)	(0.4)	(0.5)
<b>Normalized profit (Bt m)</b>												
- New	11,140	15,608	19,518	25,122	31,486	38,417	46,802	55,942	65,506	75,592	86,170	97,585
- Old	11,464	16,510	20,572	26,228	32,564	39,495	47,813	56,915	66,339	76,173	86,637	98,085
Change (%)	(2.8)	(5.5)	(5.1)	(4.2)	(3.3)	(2.7)	(2.1)	(1.7)	(1.3)	(0.8)	(0.5)	(0.5)
<b>Net profit (Bt m)</b>												
- New	10,531	15,608	19,518	25,122	31,486	38,417	46,802	55,942	65,506	75,592	86,170	97,585
- Old	11,464	16,510	20,572	26,228	32,564	39,495	47,813	56,915	66,339	76,173	86,637	98,085
Change (%)	(8.1)	(5.5)	(5.1)	(4.2)	(3.3)	(2.7)	(2.1)	(1.7)	(1.3)	(0.8)	(0.5)	(0.5)

Source: Thanachart estimates

## Ex 3: Valuation Matrix



Sources: Company data, Thanachart estimates

## Ex 4: DCF-based TP Calculation

(Bt m)	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	Terminal Value
EBITDA	20,896	32,358	38,635	45,354	52,665	61,067	70,281	79,930	89,660	100,317	111,999	124,790	—
Free cash flow	(8,888)	21,445	26,311	32,346	38,552	45,525	53,168	65,838	71,724	80,188	91,788	100,489	1,181,539
PV of free cash flow	—	21,387	21,486	23,860	25,695	27,416	28,930	32,360	31,853	32,177	33,279	32,910	386,956
Risk-free rate (%)	4.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	10.7												
Terminal growth (%)	2.0												
Enterprise value - add investments	698,309												
Net debt	156,523												
Minority interest	288												
Equity value	541,498												
# of shares (m)	8,986												
<b>Equity value/share (Bt)</b>	<b>60.00</b>												

Sources: Company data, Thanachart estimates

## Valuation Comparison

## Ex 5: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div yield	
			13F (%)	14F (%)	13F (x)	14F (x)	13F (x)	14F (x)	13F (x)	14F (x)	13F (%)	14F (%)
Marks & Spencer Group	MKS LN	U.K.	11.0	3.7	13.8	13.3	2.9	2.7	7.7	7.5	3.8	3.9
J Sainsbury	SBRY LN	U.K.	(8.6)	6.4	11.7	11.0	1.1	1.1	7.2	6.8	4.8	4.9
Tesco	TSCO LN	U.K.	na	9.4	11.1	10.1	1.4	1.5	7.7	7.2	4.4	4.6
Fujian New Hua Du	002264 CH	China	(25.7)	21.1	24.4	20.2	2.1	1.9	5.6	5.3	1.1	1.3
Beijing Hualian	600361 CH	China	6.3	29.4	49.3	38.1	0.9	0.9	na	na	1.9	2.4
Wumart Stores	8277 HK	China	na	na	na	na	na	na	na	na	na	na
Lianhua Supermarket	980 HK	China	(0.3)	37.8	14.2	10.3	1.3	1.3	na	na	2.8	3.2
Carrefour SA	CA FP	France	(23.4)	16.7	17.2	14.8	2.0	1.9	6.5	6.1	2.6	3.0
Casino Guichard	CO FP	France	(44.4)	13.5	13.8	12.2	1.0	1.0	7.3	6.8	4.3	4.6
Aeon	8267 JP	Japan	(11.2)	8.7	15.8	14.6	1.1	1.0	7.2	6.7	1.8	1.9
UNY	8270 JP	Japan	7.3	(58.4)	4.3	10.3	0.5	0.5	5.9	5.9	3.6	3.7
Lotte Shopping	023530 KS	S. Korea	(4.0)	15.0	10.8	9.4	0.7	0.7	6.2	5.5	0.4	0.4
Shinsegae	004170 KS	S. Korea	14.8	13.4	13.3	11.7	0.9	0.8	11.1	10.1	0.5	0.5
Wal-Mart Stores	WMT US	USA	3.7	(5.9)	14.0	14.8	3.0	2.7	7.8	7.4	2.6	2.8
Big C Supercenter*	BIGC TB	Thailand	5.8	19.7	24.1	20.1	4.3	3.7	13.1	11.0	1.2	1.5
CP All*	CPALL TB	Thailand	1.2	40.1	27.0	19.3	10.4	8.4	21.9	13.9	2.7	3.0
Siam Global House *	GLOBAL TB	Thailand	60.3	50.2	34.6	23.1	3.7	3.3	21.1	14.5	0.9	1.3
Home Product*	HMPRO TB	Thailand	21.4	26.7	28.3	22.3	7.8	6.9	16.9	13.9	2.5	3.1
Siam Makro*	MAKRO TB	Thailand	24.8	26.7	31.3	24.7	12.0	10.9	20.8	16.6	2.9	3.6
Robinson Dept Store *	ROBINS TB	Thailand	8.0	27.6	26.4	20.7	4.6	4.1	14.2	11.1	1.7	2.2
<b>Average</b>			<b>2.6</b>	<b>15.9</b>	<b>20.3</b>	<b>16.9</b>	<b>3.2</b>	<b>2.9</b>	<b>11.1</b>	<b>9.2</b>	<b>2.4</b>	<b>2.7</b>

Sources: Company data, \*Thanachart estimates

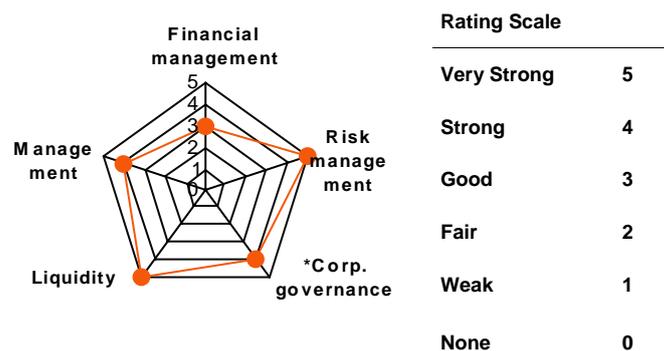
Based on 5 September 2013 closing prices

## COMPANY DESCRIPTION

C.P. All Pcl is a Thailand-based company that operates convenience stores under the 7-Eleven trademark. It has the sole right to operate under this trademark in Thailand. The company also engages in related businesses such as bill payment collection through its subsidiary, Counter Service Co. Ltd., and the manufacture and sale of ready-to-eat foods and bakery items via C.P. Retailing and Marketing Co. Ltd. Other subsidiaries include Retailink (Thailand) Co. Ltd., Thai Smart Card Co Ltd, Gosoft (Thailand) Co. Ltd., MAM Heart Co. Ltd., Dynamic Management Co. Ltd., Panyatara Co. Ltd. and Suksapiwat Co. Ltd. It just took over Siam Makro (MAKRO) with a 97.88% stake.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \*CG Awards

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Leader in the Thai CVS market and has a natural monopoly with more than a 50% market share.
- A cash-cow stock operating 7-Eleven stores in Thailand – a very stable and secure business.
- Successful franchise.

### O — Opportunity

- The Thai CVS market hasn't matured yet while the competitive landscape isn't that fierce.
- Opportunities to open more stores upcountry as the provinces are still under-penetrated.
- New opportunities lie ahead if it is awarded 7-Eleven licenses overseas such as in China.

### W — Weakness

- In the early stage of food introduction, the shrinkage rate is high.
- Overly swift expansion may lead to staff shortages.

### T — Threat

- The possible imposition of the Retail and Wholesale Business Act.
- Risk of natural disasters.
- Risk of theft.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	47.00	60.00	28%
<b>Net profit 13F (Bt m)</b>	11,876	10,531	-11%
<b>Net profit 14F (Bt m)</b>	15,034	15,608	4%
<b>Consensus REC</b>	<b>BUY: 24</b>	<b>HOLD: 3</b>	<b>SELL: 6</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2013F net profit is 11% below the Street as we project the booking of a FX loss assuming a year-end Bt32/US\$1 rate and expect a 1% fee for the MAKRO takeover deal.
- Our TP is higher as we assume more aggressive long-term store expansion for MAKRO while rolling over our TP to 2014.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- A weaker-than-expected economy would have a direct impact on the performance of 7-Eleven as it is highly leveraged to domestic consumption.
- If other competitors, for example Tesco Express and Mini Big C, expand faster than we currently anticipate and are more successful than we expect.
- If MAKRO fails to ramp up store expansion after the takeover as planned.

Source: Thanachart

## INCOME STATEMENT

	FY ending Dec (Bt m)	2011A	2012A	2013F	2014F	2015F
<i>No earnings drag from Lotus China since 2009</i>	Sales	161,223	197,045	295,384	414,921	474,418
	Cost of sales	116,863	140,091	221,304	320,780	366,255
	<b>Gross profit</b>	<b>44,360</b>	<b>56,953</b>	<b>74,081</b>	<b>94,141</b>	<b>108,163</b>
	% gross margin	27.5%	28.9%	25.1%	22.7%	22.8%
<i>The Thai 7-Eleven business is very stable and we see strong growth potential</i>	Selling & administration expenses	34,032	43,736	57,361	67,209	75,566
	<b>Operating profit</b>	<b>10,328</b>	<b>13,217</b>	<b>16,719</b>	<b>26,931</b>	<b>32,597</b>
	% operating margin	6.4%	6.7%	5.7%	6.5%	6.9%
	Depreciation & amortization	3,123	3,173	4,176	5,426	6,038
	<b>EBITDA</b>	<b>13,451</b>	<b>16,390</b>	<b>20,896</b>	<b>32,358</b>	<b>38,635</b>
<i>Post-MAKRO takeover, we forecast a 21% EPS CAGR over 2012-15</i>	% EBITDA margin	8.3%	8.3%	7.1%	7.8%	8.1%
	Non-operating income	451	732	1,347	1,928	2,149
	Non-operating expenses	0	0	0	0	0
	Interest expense	(0)	(0)	(4,084)	(9,203)	(10,168)
	<b>Pre-tax profit</b>	<b>10,778</b>	<b>13,950</b>	<b>13,982</b>	<b>19,656</b>	<b>24,578</b>
	Income tax	2,981	2,931	2,796	3,931	4,916
	<b>After-tax profit</b>	<b>7,797</b>	<b>11,019</b>	<b>11,186</b>	<b>15,725</b>	<b>19,662</b>
	% net margin	4.8%	5.6%	3.8%	3.8%	4.1%
	Shares in affiliates' Earnings	0	0	0	0	0
	Minority interests	(6)	(34)	(46)	(117)	(144)
	Extraordinary items	216	39	(608)	0	0
	<b>NET PROFIT</b>	<b>8,008</b>	<b>11,023</b>	<b>10,531</b>	<b>15,608</b>	<b>19,518</b>
	<b>Normalized profit</b>	<b>7,791</b>	<b>10,985</b>	<b>11,140</b>	<b>15,608</b>	<b>19,518</b>
	EPS (Bt)	0.9	1.2	1.2	1.7	2.2
	Normalized EPS (Bt)	0.9	1.2	1.2	1.7	2.2

## BALANCE SHEET

	FY ending Dec (Bt m)	2011A	2012A	2013F	2014F	2015F
<i>Very solid financial position with no interest-bearing debt before the takeover</i>	<b>ASSETS:</b>					
	Current assets:	36,404	48,854	64,244	70,547	76,008
	Cash & cash equivalent	14,202	23,085	26,000	28,453	29,631
	Account receivables	477	541	811	1,140	1,303
	Inventories	8,642	9,148	19,402	21,971	25,086
	Others	13,083	16,080	18,030	18,983	19,988
	Investments & loans	1,759	2,215	2,215	2,215	2,215
	Net fixed assets	14,994	18,094	39,703	44,796	48,878
	Other assets	2,184	2,635	186,979	188,563	189,224
	<b>Total assets</b>	<b>55,341</b>	<b>71,798</b>	<b>293,141</b>	<b>306,121</b>	<b>316,326</b>
	<b>LIABILITIES:</b>					
	Current liabilities:	30,479	41,025	260,046	85,213	94,339
	Account payables	24,393	32,580	52,749	60,641	68,234
	Bank overdraft & ST loans	2	0	194,494	0	0
	Current LT debt	0	0	0	9,489	9,001
	Others current liabilities	6,084	8,445	12,803	15,083	17,105
	<b>Total LT debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180,292</b>	<b>171,017</b>
	Others LT liabilities	2,405	2,833	3,747	4,363	4,938
	<b>Total liabilities</b>	<b>33,642</b>	<b>44,812</b>	<b>263,792</b>	<b>269,867</b>	<b>270,294</b>
	Minority interest	208	242	288	405	549
	Preferreds shares	0	0	0	0	0
	Paid-up capital	4,493	8,983	8,986	8,986	8,986
	Share premium	1,684	1,684	1,684	1,684	1,684
	Warrants	0	0	0	0	0
	Surplus	(361)	(512)	(400)	(400)	(400)
	<b>Retained earnings</b>	<b>15,675</b>	<b>16,588</b>	<b>18,789</b>	<b>25,578</b>	<b>35,212</b>
	Shareholders' equity	21,491	26,744	29,060	35,848	45,482
	<b>Liabilities &amp; equity</b>	<b>55,341</b>	<b>71,798</b>	<b>293,141</b>	<b>306,121</b>	<b>316,326</b>

Sources: Company data, Thanachart estimates

## CASH FLOW STATEMENT

*We forecast very strong cash flows to accumulate over 2014-15*

FY ending Dec (Bt m)	2011A	2012A	2013F	2014F	2015F
Earnings before tax	10,778	13,950	13,982	19,656	24,578
Tax paid	(2,934)	(2,864)	(1,756)	(3,731)	(4,460)
Depreciation & amortization	3,123	3,173	4,176	5,426	6,038
Chg In working capital	653	7,616	9,646	4,994	4,315
Chg In other CA & CL / minorities	660	1,375	1,366	1,127	559
<b>Cash flow from operations</b>	<b>12,280</b>	<b>23,250</b>	<b>27,415</b>	<b>27,472</b>	<b>31,030</b>
Capex	(3,592)	(6,273)	(25,785)	(10,520)	(10,120)
ST loans & investments	(5,458)	(2,077)	0	0	0
LT loans & investments	(1,068)	(456)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	378	174	(184,385)	(967)	(85)
<b>Cash flow from investments</b>	<b>(9,739)</b>	<b>(8,633)</b>	<b>(210,170)</b>	<b>(11,487)</b>	<b>(10,205)</b>
Debt financing	218	36	193,885	(4,713)	(9,763)
Capital increase	0	4,490	3	0	0
Dividends paid	(4,490)	(5,612)	(8,088)	(8,531)	(9,884)
Warrants & other surplus	217	(4,648)	(130)	(288)	0
<b>Cash flow from financing</b>	<b>(4,054)</b>	<b>(5,734)</b>	<b>185,670</b>	<b>(13,532)</b>	<b>(19,647)</b>
<b>Free cash flow</b>	<b>8,688</b>	<b>16,977</b>	<b>1,630</b>	<b>16,952</b>	<b>20,910</b>

## VALUATION

*Valuation at sector's lowest 2014F PE*

FY ending Dec	2011A	2012A	2013F	2014F	2015F
Normalized PE (x)	38.4	27.3	27.0	19.3	15.4
Normalized PE - at target price (x)	68.8	49.0	48.4	34.5	27.6
PE (x)	37.3	27.2	28.6	19.3	15.4
PE - at target price (x)	66.9	48.8	51.2	34.5	27.6
EV/EBITDA (x)	21.2	16.9	21.9	13.9	11.4
EV/EBITDA - at target price (x)	38.8	31.4	33.3	21.3	17.5
P/BV (x)	13.9	11.3	10.4	8.4	6.6
P/BV - at target price (x)	24.9	20.2	18.6	15.0	11.9
P/CFO (x)	24.4	12.9	11.0	11.0	9.7
Price/sales (x)	1.9	1.5	1.0	0.7	0.6
Dividend yield (%)	1.9	2.7	2.7	3.0	3.6
FCF Yield (%)	2.9	5.7	0.5	5.6	6.9
<b>(Bt)</b>					
Normalized EPS	0.9	1.2	1.2	1.7	2.2
EPS	0.9	1.2	1.2	1.7	2.2
DPS	0.6	0.9	0.9	1.0	1.2
BV/share	2.4	3.0	3.2	4.0	5.1
CFO/share	1.4	2.6	3.1	3.1	3.5
FCF/share	1.0	1.9	0.2	1.9	2.3

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2011A	2012A	2013F	2014F	2015F
<b>Growth Rate</b>					
Sales (%)	14.8	22.2	49.9	40.5	14.3
Net profit (%)	20.2	37.7	(4.5)	48.2	25.0
EPS (%)	20.2	37.1	(4.7)	48.2	25.0
Normalized profit (%)	15.1	41.0	1.4	40.1	25.0
Normalized EPS (%)	15.1	40.4	1.2	40.1	25.0
Dividend payout ratio (%)	70.1	73.4	76.8	57.5	55.3
<b>Operating performance</b>					
Gross margin (%)	27.5	28.9	25.1	22.7	22.8
Operating margin (%)	6.4	6.7	5.7	6.5	6.9
EBITDA margin (%)	8.3	8.3	7.1	7.8	8.1
Net margin (%)	4.8	5.6	3.8	3.8	4.1
D/E (incl. minor) (x)	0.0	0.0	6.6	5.2	3.9
Net D/E (incl. minor) (x)	(0.7)	(0.9)	5.3	4.1	3.0
Interest coverage - EBIT (x)	na	na	4.1	2.9	3.2
Interest coverage - EBITDA (x)	na	na	5.1	3.5	3.8
ROA - using norm profit (%)	15.1	17.3	6.1	5.2	6.3
ROE - using norm profit (%)	39.7	45.5	39.9	48.1	48.0
<b>DuPont</b>					
ROE - using after tax profit (%)	39.7	45.7	40.1	48.5	48.4
- asset turnover (x)	3.1	3.1	1.6	1.4	1.5
- operating margin (%)	6.7	7.1	6.1	7.0	7.3
- leverage (x)	2.6	2.6	6.5	9.2	7.7
- interest burden (%)	100.0	100.0	77.4	68.1	70.7
- tax burden (%)	72.3	79.0	80.0	80.0	80.0
WACC (%)	10.7	10.7	10.7	10.7	10.7
ROIC (%)	366.2	143.2	365.6	11.6	14.1
NOPAT (Bt m)	7,471	10,440	13,376	21,545	26,077

Sources: Company data, Thanachart estimates

**Disclaimers:**

This publication is prepared by **Thanachart Securities Public Company Limited** and distributed outside Thailand by **Daiwa Securities Group Inc.** and/or its non-U.S. affiliates except to the extent expressly provided herein. This publication and the contents hereof are intended for information purposes only, and may be subject to change without further notice. Any use, disclosure, distribution, dissemination, copying, printing or reliance on this publication for any other purpose without our prior consent or approval is strictly prohibited. Neither Thanachart Securities Public Company Limited ("Thanachart Securities"), Daiwa Securities Group Inc. nor any of their respective parent, holding, subsidiaries or affiliates, nor any of their respective directors, officers, servants and employees, represent nor warrant the accuracy or completeness of the information contained herein or as to the existence of other facts which might be significant, and will not accept any responsibility or liability whatsoever for any use of or reliance upon this publication or any of the contents hereof. Neither this publication, nor any content hereof, constitute, or are to be construed as, an offer or solicitation of an offer to buy or sell any of the securities or investments mentioned herein in any country or jurisdiction nor, unless expressly provided, any recommendation or investment opinion or advice. Any view, recommendation, opinion or advice expressed in this publication constitutes the views of the analyst(s) named herein and does not necessarily reflect those of Thanachart Securities, Daiwa Securities Group Inc. and/or their respective affiliates nor any of their respective directors, officers, servants and employees except where the publication states otherwise. This research report is not to be relied upon by any person in making any investment decision or otherwise advising with respect to, or dealing in, the securities mentioned, as it does not take into account the specific investment objectives, financial situation and particular needs of any person.

**Thanachart Securities, Daiwa Securities Group Inc.**, their respective subsidiaries or affiliates, or their respective directors, officers and employees from time to time have trades as principals, or have positions in, or have other interests in the securities of the company under research including derivatives in respect of such securities or may have also performed investment banking and other services for the issuer of such securities. The following are additional disclosures.

**Japan**Disclosure of Interest of Daiwa Securities Group Inc.**Investment Banking Relationship**

Within the preceding 12 months, The subsidiaries and/or affiliates of Daiwa Securities Group Inc. \* has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: REXLot Holdings Limited (555 HK); Chaowei Power Holdings Limited (951 HK); CITIC Securities Company Limited (6030 HK); China Outfitters Holdings Limited (1146 HK); The People's Insurance Company (Group) of China Limited (1339 HK); China Precious Metal Resources Holdings Company Limited (1194 HK); Jiangnan Group Limited (1366 HK), Blackgold International Holdings Ltd (BGG\_AU), TOSEI CORP (8923\_JP), Modern Land (China) Co., Limited (1107 HK).

\*Subsidiaries of Daiwa Securities Group Inc. for the purposes of this section shall mean any one or more of:

- Daiwa Capital Markets Hong Kong Limited
- Daiwa Capital Markets Singapore Limited
- Daiwa Capital Markets Australia Limited
- Daiwa Capital Markets India Private Limited
- Daiwa-Cathay Capital Markets Co., Ltd.
- Daiwa Securities Capital Markets Korea Co., Ltd.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: OfficeMate Pcl (OFM TB); Asia Aviation Pcl (AAV TB), Chularat Hospital Pcl (CHG TB), Nok Airlines (NOK TB), MC GROUP Pcl (MC TB).

This research may only be distributed in Japan to "qualified institutional investors", as defined in the Financial Instruments and Exchange Act (Article 2 (3) (i)), as amended from time to time.

**Hong Kong**

This research is distributed in Hong Kong by Daiwa Capital Markets Hong Kong Limited ("DHK") which is regulated by the Hong Kong Securities and Futures Commission. Recipients of this research in Hong Kong may contact DHK in respect of any matter arising from or in connection with this research.

Ownership of Securities

For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> .

Investment Banking Relationship

For "Investment Banking Relationship", please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> .

Relevant Relationship (DHK)

DHK may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

DHK market making

DHK may from time to time make a market in securities covered by this research.

**Singapore**

This research is distributed in Singapore by Daiwa Capital Markets Singapore Limited and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Securities and Futures Act, Chapter 289 of Singapore, as amended from time to time and is not for, nor intended for, distribution to any other persons in Singapore. By virtue of distribution to these category of investors, Daiwa Capital Markets Singapore Limited and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of Daiwa Capital Markets Singapore Limited's interest and/or its representative's interest in securities). Recipients of this research in Singapore should contact Daiwa Capital Markets Singapore Limited in respect of any matter arising from or in connection with the research.

**Australia**

This research is distributed in Australia by Daiwa Capital Markets Stockbroking Limited and it may only be distributed in Australia to wholesale investors within the meaning of the Corporations Act. Recipients of this research in Australia may contact Daiwa Capital Markets Stockbroking Limited in respect of any matter arising from or in connection with the research.

**Ownership of Securities**

For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

**India**

This research is distributed by Daiwa Capital Markets India Private Limited (DAIWA) which is an intermediary registered with Securities & Exchange Board of India. This report is not to be considered as an offer or solicitation for any dealings in securities. While the information in this report has been compiled by DAIWA in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made or given as to its accuracy, completeness or correctness. Thanachart Securities, DAIWA, and their respective officers, employees, representatives and agents accept no liability whatsoever for any loss or damage whether direct, indirect, consequential or otherwise howsoever arising (whether in negligence or otherwise) out of or in connection with or from any use of or reliance on the contents of and/or omissions from this document. Consequently, Thanachart Securities and DAIWA expressly disclaim any and all liability for, or based on or relating to any such information contained in or errors in or omissions in this report. Accordingly, you are recommended to seek your own legal, tax or other advice and should rely solely on your own judgment, review and analysis, in evaluating the information in this document. The data contained in this document is subject to change without any prior notice DAIWA reserves its right to modify this report as maybe required from time to time. DAIWA is committed to providing independent recommendations to its Clients and would be happy to provide any information in response to any query from its Clients. This report is strictly confidential and is being furnished to you solely for your information. The information contained in this document should not be reproduced (in whole or in part) or redistributed in any form to any other person. Thanachart Securities, DAIWA and our group companies, affiliates, officers, directors and employees may from time to time, have long or short positions, in and buy sell the securities thereof, of company(ies) mentioned herein or be engaged in any other transactions involving such securities and earn brokerage or other compensation or act as advisor or have the potential conflict of interest with respect to any recommendation and related information or opinion. DAIWA prohibits its analyst and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. This report is not intended or directed for distribution to, or use by any person, citizen or entity which is resident or located in any state or country or jurisdiction where such publication, distribution or use would be contrary to any statutory legislation, or regulation which would require Thanachart Securities, DAIWA and their affiliates/group companies to any registration or licensing requirements. The views expressed in the report accurately reflect the analyst's personal views about the securities and issuers that are subject of the Report, and that no part of the analyst's compensation was, is or will be directly or indirectly, related to the recommendations or views expressed in the Report. This report does not recommend to US recipients the use of Daiwa Capital Markets India Private Limited or any of its non – US affiliates to effect trades in any securities and is not supplied with any understanding that US recipients will direct commission business to Daiwa Capital Markets India Private Limited.

**Taiwan**

This research is distributed in Taiwan by Daiwa-Cathay Capital Markets Co., Ltd and it may only be distributed in Taiwan to institutional investors or specific investors who have signed recommendation contracts with Daiwa-Cathay Capital Markets Co., Ltd in accordance with the Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers. Recipients of this research in Taiwan may contact Daiwa-Cathay Capital Markets Co., Ltd in respect of any matter arising from or in connection with the research.

**Philippines**

This research is distributed in the Philippines by DBP-Daiwa Capital Markets Philippines, Inc. which is regulated by the Philippines Securities and Exchange Commission and the Philippines Stock Exchange, Inc. Recipients of this research in the Philippines may contact DBP-Daiwa Capital Markets Philippines, Inc. in respect of any matter arising from or in connection with the research. DBP-Daiwa Capital Markets Philippines, Inc. recommends that investors independently assess, with a professional advisor, the specific financial risks as well as the legal, regulatory, tax, accounting, and other consequences of a proposed transaction. DBP-Daiwa Capital Markets Philippines, Inc. may have positions or may be materially interested in the securities in any of the markets mentioned in the publication or may have performed other services for the issuers of such securities. For relevant securities and trading rules please visit SEC and PSE Link at <http://www.sec.gov.ph/irr/AmendedIRRfinalversion.pdf> and <http://www.pse.com.ph/> respectively.

**United Kingdom**

This research report is distributed by Daiwa Capital Markets Europe Limited in the European Union, Iceland, Liechtenstein, Norway and Switzerland. Daiwa Capital Markets Europe Limited is authorised and regulated by The Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange, Eurex and NYSE Liffe. Thanachart Securities, Daiwa Capital Markets Europe Limited and their respective affiliates may, from time to time, to the extent permitted by law, participate or invest in other financing transactions with the issuers of the securities referred to herein (the "Securities"), perform services for or solicit business from such issuers, and/or have a position or effect transactions in the Securities or options thereof and/or may have acted as an underwriter during the past twelve months for the issuer of such securities. In addition, employees of Thanachart Securities, Daiwa Capital Markets Europe Limited and their respective affiliates may have positions and effect transactions in such securities or options and may serve as Directors of such issuers. Thanachart Securities and Daiwa Capital Markets Europe Limited may, to the extent permitted by applicable UK law and other applicable law or regulation, effect transactions in the Securities before this material is published to recipients.

This publication is intended for investors who are not Retail Clients in the United Kingdom within the meaning of the Rules of the FCA and should not therefore be distributed to such Retail Clients in the United Kingdom. Should you enter into investment business with Daiwa Capital Markets Europe's

affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.

Daiwa Capital Markets Europe Limited has in place organisational arrangements for the prevention and avoidance of conflicts of interest. Our conflict management policy is available at <http://www.uk.daiwacm.com/about-us/corporate-governance-and-regulatory> . Regulatory disclosures of investment banking relationships are available at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> .

#### **United States**

This report is distributed in the U.S. by Daiwa Capital Markets America Inc. (DCMA). It may not be accurate or complete and should not be relied upon as such. It reflects the preparer's views at the time of its preparation, but may not reflect events occurring after its preparation; nor does it reflect Thanachart Securities' or DCMA's views at any time. Neither Thanachart Securities, DCMA nor the preparer has any obligation to update this report or to continue to prepare research on this subject. This report is not an offer to sell or the solicitation of any offer to buy securities. Unless this report says otherwise, any recommendation it makes is risky and appropriate only for sophisticated speculative investors able to incur significant losses. Readers should consult their financial advisors to determine whether any such recommendation is consistent with their own investment objectives, financial situation and needs. This report does not recommend to U.S. recipients the use of any of Thanachart Securities' or DCMA's non-U.S. affiliates to effect trades in any security and is not supplied with any understanding that U.S. recipients of this report will direct commission business to such non-U.S. entities. Unless applicable law permits otherwise, non-U.S. customers wishing to effect a transaction in any securities referenced in this material should contact a Daiwa entity in their local jurisdiction. Most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as a process for doing so. As a result, the securities discussed in this report may not be eligible for sales in some jurisdictions. Customers wishing to obtain further information about this report should contact DCMA: Daiwa Capital Markets America Inc., Financial Square, 32 Old Slip, New York, New York 10005 (telephone 212-612-7000).

#### Ownership of Securities

For "Ownership of Securities" information please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> .

#### Investment Banking Relationships

For "Investment Banking Relationships" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> .

#### DCMA Market Making

For "DCMA Market Making" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> .

#### Research Analyst Conflicts

For updates on "Research Analyst Conflicts" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>. The principal research analysts who prepared this report have no financial interest in securities of the issuers covered in the report, are not (nor are any members of their household) an officer, director or advisory board member of the issuer(s) covered in the report, and are not aware of any material relevant conflict of interest involving the analyst or DCMA, and did not receive any compensation from the issuer during the past 12 months except as noted: no exceptions.

#### Research Analyst Certification

For updates on "Research Analyst Certification" and "Rating System" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> . The views about any and all of the subject securities and issuers expressed in this Research Report accurately reflect the personal views of the research analyst(s) primarily responsible for this report (or the views of the firm producing the report if no individual analyst[s] is named on the report); and no part of the compensation of such analyst(s) (or no part of the compensation of the firm if no individual analyst[s] is named on the report) was, is, or will be directly or indirectly related to the specific recommendations or views contained in this Research Report.

**For stocks in Thailand covered by Thanachart Securities**, the following rating system is in effect:

Ratings are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the rating is BUY. If the downside is 10% or more, the rating is SELL. For stocks where the upside or downside is less than 10%, the rating is HOLD. Unless otherwise specified, these ratings 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 the market price and the formal rating.

For the sector, Thanachart looks at two areas, ie, the sector outlook and the sector weighting. For the sector outlook, an arrow pointing up, or the word "Positive", is used when Thanachart sees the industry trend improving. An arrow pointing down, or the word "Negative", is used when Thanachart sees the industry trend deteriorating. A double-tipped horizontal arrow, or the word "Unchanged", is used when the industry trend does not look as if it will alter. The industry trend view is Thanachart's top-down perspective on the industry rather than a bottom-up interpretation from the stocks that Thanachart covers. An "Overweight" sector weighting is used when Thanachart has BUYs on majority of the stocks under its coverage by market cap. "Underweight" is used when Thanachart has SELLs on majority of the stocks it covers by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs].

#### Ownership of Securities

For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> .

#### Investment Banking Relationships

For "Investment Banking Relationship", please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action> .

#### Relevant Relationships (TNS)

TNS may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

#### TNS market making

TNS may from time to time make a market in securities covered by this research.

**Additional information may be available upon request.**

**Japan - additional notification items pursuant to Article 37 of the Financial Instruments and Exchange Law**

(This Notification is only applicable where report is distributed by Daiwa Securities Co. Ltd.)

- If you decide to enter into a business arrangement with us based on the information described in materials presented along with this document, we ask you to pay close attention to the following items.
- In addition to the purchase price of a financial instrument, we will collect a trading commission\* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
- In some cases, we may also charge a maximum of ¥2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
- For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

\* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name: Daiwa Securities Co. Ltd.

Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108

Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan

Japan Investment Advisers Association

Type II Financial Instruments Firms Association

**Thanachart Securities Pcl.**

Research Team

28 Floor, Siam Tower Unit A1

989 Rama 1, Pathumwan Road, Bangkok 10330, Thailand

Tel: 662 - 617 4900

Email: [research@thanachartsec.co.th](mailto:research@thanachartsec.co.th)

**Pimpaka Nichgaroon, CFA**

Head of Research  
Economics & Strategy  
[pimpaka.nic@thanachartsec.co.th](mailto:pimpaka.nic@thanachartsec.co.th)

**Sarachada Sornsong**

Banks, Telecom  
[sarachada.sor@thanachartsec.co.th](mailto:sarachada.sor@thanachartsec.co.th)

**Phannarai Tiyapittayarut**

Property, Retail  
[phannarai.von@thanachartsec.co.th](mailto:phannarai.von@thanachartsec.co.th)

**Supanna Suwankird**

Energy, Utilities  
[supanna.suw@thanachartsec.co.th](mailto:supanna.suw@thanachartsec.co.th)

**Saksid Phadthanarak**

Construction, Electronics, Transportation  
[saksid.pha@thanachartsec.co.th](mailto:saksid.pha@thanachartsec.co.th)

**Kalvalee Thongsomaung**

Food, Hotel, Media  
[kalvalee.tho@thanachartsec.co.th](mailto:kalvalee.tho@thanachartsec.co.th)

**Siriporn Arunothai**

Ad Hoc Research, Healthcare  
[siriporn.aru@thanachartsec.co.th](mailto:siriporn.aru@thanachartsec.co.th)

**Noppadol Priyawut**

Senior Technical Analyst  
[noppadol.pri@thanachartsec.co.th](mailto:noppadol.pri@thanachartsec.co.th)

**Adisak Phupiphathirungul, CFA**

Retail Market Strategy  
[adisak.phu@thanachartsec.co.th](mailto:adisak.phu@thanachartsec.co.th)