

26 February 2020

Consumer Cyclical | Retailing

CP ALL (CPALL TB)

Buy (Maintained)

Best In Class In a Challenging Year; Maintain BUY

Target Price (Return): THB84.00 (+22%)
 Price: THB68.80
 Market Cap: USD19,468m
 Avg Daily Turnover (THB/USD) 1,717m/56.1m

- BUY this Top Pick; new THB84.00 TP from THB95.00, 22% upside with 2% yield.** Weak consumption should affect staple retailers less than discretionary ones, and CP All is the best-in-class among the former. 1Q20F-2Q20F outlook may be challenging on uncertain factors, but we still like its aggressive store network expansion, and outstanding product strategies – which engender a resilient longer-term outlook. It is trading at 25x FY20F P/E (-1.5SD from 5-year historical mean), which remains undemanding vs our TP's 31x (+0.5SD).
- Challenging SSSG boost.** Apart from the sluggish consumption, CP All's 7-Eleven business may be affected by COVID-19 related fears, which has dampened traffic to its stores (ie foreign and local tourists) in 1H20. The ban on single-use plastic bags among Thai modern retailers starting 1 Jan may also limit its ticket size growth (2019: THB70.00) as the customers could buy fewer items. For Siam Makro, we are concerned that the outbreak may dampen food sales from hotel, restaurants and catering (HoReCa) customers, which account for c.35% of Siam Makro sales or c.13% of CP All's total sales. We thus conservatively expect flattish SSSG for both store formats in 2020 vs 1.7% for 7-Eleven and a high base of 6.3% for Siam Makro last year.
- Store network expansion.** It is possible that CP All will be able to open 700 new CVS stores a year and achieve its target of 13,000 outlets by 2021. The new stores may focus on the larger standalone format, spanning 200-300 sqm each and located in the extended metro area of Bangkok and major cities. For Siam Makro, we expect it to open eight cash-and-carry stores, seven small-sized outlets in Thailand, and one overseas. The factors may help keep total topline sales growth at 7-9% YoY over 2020F-2022F, while its opex-to-sales ratio could remain stable at 20% this year due to a rise in CVS personnel expenses, as it opened bigger stores while continuing to invest abroad for its wholesale cash-and-carry business.
- New products remain the GPM driver.** We believe CP All will continue to apply its strategy of stocking CVS items that focus more on foods (new merchandise, and opening more bakery and All Café kiosks), as well as auxiliary services (ie increasingly popular banking agent services) to draw customer traffic and widen margins. We expect overall GPM to slightly increase by 0.1 ppt over the next three years.
- Earnings cut.** To reflect the weakening consumption outlook, we revise down CP All's core profit by 5% for 2020F and 12% for 2021F-2022F. We expect a moderate 6% earnings growth this year, while the improving operating leverage and lowering financial expense may strengthen its bottomline growth up to 15% in 2021. Downside risks to our call and forecasts include the COVID-19 outbreak growing, and prevailing weak economic indicators which may dampen consumer confidence further.

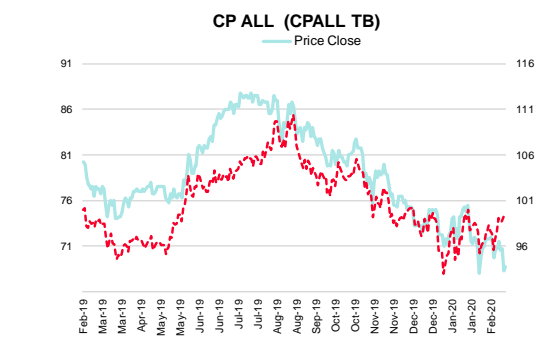
Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.9)	(6.5)	(10.1)	(20.8)	(14.3)
Relative	4.0	1.8	0.8	(8.2)	(0.4)
52-wk Price low/high (THB)	68.0 – 87.8				



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	508,212	550,901	591,412	643,399	695,829
Recurring net profit (THBm)	21,203	23,049	24,340	27,871	31,636
Recurring net profit growth (%)	6.5	8.7	5.6	14.5	13.5
Recurring P/E (x)	29.13	26.80	25.37	22.16	19.52
P/B (x)	9.2	8.0	6.6	5.7	4.9
P/CF (x)	12.07	16.28	13.82	13.57	12.24
Dividend Yield (%)	1.7	1.8	2.0	2.3	2.6
EV/EBITDA (x)	17.54	16.70	15.31	13.72	12.31
Return on average equity (%)	33.2	29.9	28.5	27.5	26.8
Net debt to equity (%)	118.3	105.7	80.0	61.8	45.9

Source: Company data, RHB

Financial Exhibits

Asia		Financial summary (THB)				
		Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand		2.36	2.57	2.71	3.10	3.52
Consumer Cyclical		1.20	1.25	1.35	1.55	1.76
CP ALL		7.49	8.62	10.41	12.16	14.13
CPALL TB		33.2	29.9	28.5	27.5	26.8
Buy						
Valuation basis		Valuation metrics				
		Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
DCF		29.13	26.80	25.37	22.16	19.52
		9.2	8.0	6.6	5.7	4.9
		6.0	3.7	4.3	4.1	4.6
		1.7	1.8	2.0	2.3	2.6
		17.54	16.70	15.31	13.72	12.31
		23.21	22.30	20.45	18.31	16.45
Key drivers		Income statement (THBm)				
		Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
i.	Opening of new stores in Thailand and overseas;	508,212	550,901	591,412	643,399	695,829
ii.	Launches of new and exclusive products;	113,581	124,838	134,546	147,342	160,358
iii.	Rising sales contributed from high-GPM ready-to-eat and private label products	42,792	44,705	47,800	52,413	57,250
		(10,444)	(11,220)	(12,012)	(13,154)	(14,408)
		32,347	33,485	35,788	39,260	42,842
		(7,196)	(6,721)	(6,461)	(5,678)	(4,725)
		24,878	26,058	29,327	33,582	38,118
		(3,969)	(4,070)	(4,692)	(5,373)	(6,099)
		20,656	21,638	24,340	27,871	31,636
		21,203	23,049	24,340	27,871	31,636
Key risks		Cash flow (THBm)				
		Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
i.	Slowdown in domestic consumption;	(4,991)	(5,788)	12,187	(794)	(87)
ii.	Intense competition in hypermarkets that may squeeze profit margins of cash-and-carry retail stores;	51,175	37,939	44,674	45,527	50,458
iii.	Increasing leverage	(14,327)	(15,121)	(17,976)	(20,019)	(21,974)
		(15,707)	(15,519)	(20,952)	(23,143)	(25,255)
		(9,881)	(10,780)	(11,229)	(12,170)	(13,936)
		(30,324)	(26,583)	(21,827)	(27,152)	(27,960)
		28,879	34,023	29,861	31,755	26,986
		5,144	(4,163)	1,895	(4,769)	(2,757)
		34,023	29,861	31,755	26,986	24,229
Company Profile		Balance sheet (THBm)				
		Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
CP ALL is the sole operator of 7-Eleven stores in Thailand with a 53% market share. The company has more than 8,500 stores across the country and plans to expand to 10,000 stores by 2018. In 2013, the group acquired the country's biggest cash-and-carry retailer, Siam Makro.		35,490	30,519	32,414	27,645	24,888
		111,287	116,082	122,047	128,912	136,478
		373,742	375,617	389,554	398,491	410,067
		26,671	15,855	34,687	29,000	28,559
		126,893	129,193	97,304	85,304	68,745
		273,923	267,250	265,048	258,284	252,160
		99,819	108,368	124,506	140,207	157,907
		373,742	375,617	389,554	398,491	410,067
Key metrics		Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
		7.9	8.4	7.4	8.8	8.1
		6.5	8.7	5.6	14.5	13.5
		22.3	22.7	22.8	22.9	23.0
		8.4	8.1	8.1	8.1	8.2
		4.1	3.9	4.1	4.3	4.5
		47.8	49.8	0.0	0.0	0.0
		2.8	2.7	3.0	3.1	3.2
		4.50	4.98	5.54	6.91	9.07

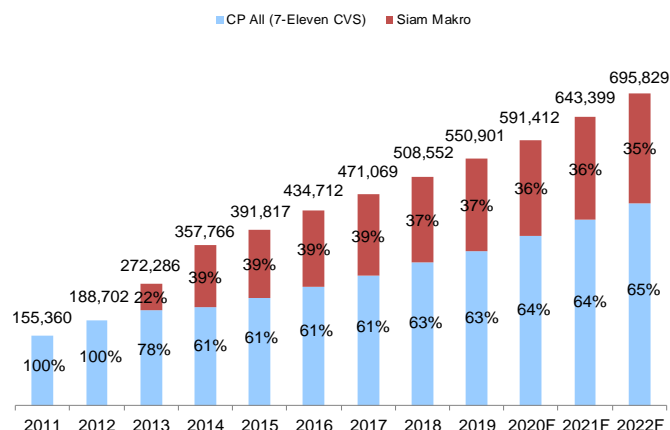
Source: Company data, RHB

Figure 1: CP ALL's P/E band



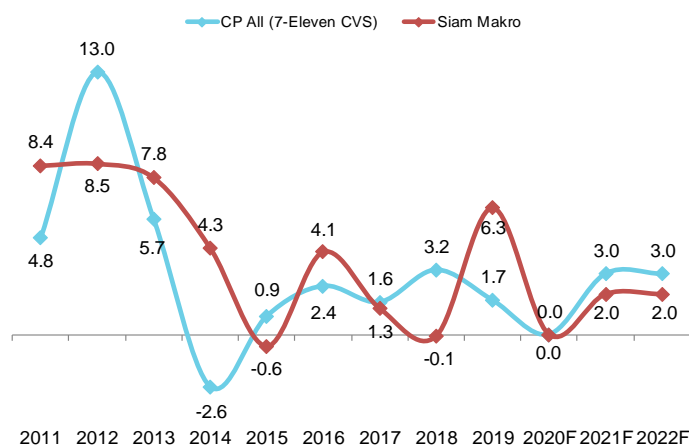
Source: RHB

Figure 2: CP ALL's sales revenue profile



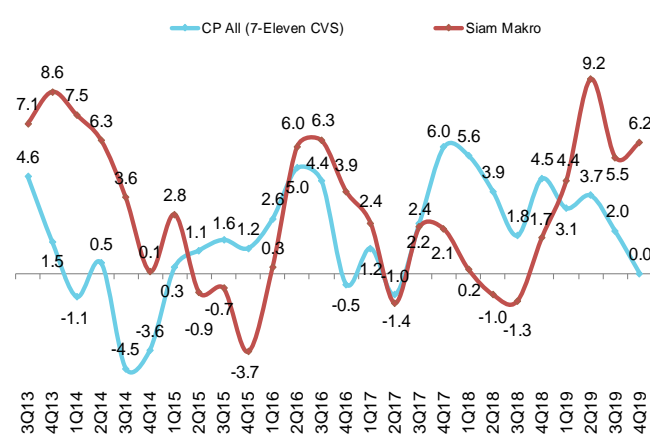
Source: Company data, RHB

Figure 3: CP ALL's annualised SSSG



Source: Company data, RHB

Figure 4: CP ALL's quarterly SSSG



Source: Company data, RHB

Figure 5: CP ALL's DCF valuation

THBm	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	35,788	39,260	42,842	48,409	54,717	61,871	69,068	76,822	85,173	94,167
EBIT (1-t)	30,062	32,978	35,988	40,664	45,962	51,971	58,017	64,530	71,545	79,100
Depreciation & amortisation	12,012	13,154	14,408	15,783	17,327	19,060	20,966	23,063	25,374	27,918
Change in net working capital	12,187	(794)	(87)	339	(246)	325	(95)	652	296	348
Capex	(17,976)	(20,019)	(21,974)	(24,079)	(27,596)	(30,390)	(33,429)	(36,772)	(40,617)	(44,557)
Net free cash flow to firm	36,285	25,319	28,334	32,707	35,447	40,966	45,459	51,473	56,598	62,810
Terminal value										1,305,337
PV	33,605	21,716	22,507	24,061	24,150	25,848	26,564	27,856	28,367	635,062
Terminal growth		3.0%								
WACC		8.0%								
Total discounted firm value	869,737									
Less: Net debt	100,236									
Less: Minority interest	14,629									
Equity value	754,873									
Number of shares (m)	8,983									
Equity value per share (THB)	84									

Source: RHB

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Figure 6: CP All's 4Q19 and 2019 results review

FYE Dec (THBm)	4Q18	3Q19	4Q19	YoY % chg	QoQ % chg	2018	2019	YoY % chg	Remarks
Turnover	134,239	135,763	142,425	6.1	4.9	508,212	550,901	8.4	The opening of 724 new CVS stores in 2019. Targeted and strong SSSG for its cash-and-carry business supported total sales growth
Other income	4,902	5,287	5,416	10.5	2.4	18,962	20,209	6.6	
Gross profit	30,544	31,177	32,372	6.0	3.8	113,581	124,838	9.9	
EBIT	8,257	8,435	8,924	8.1	5.8	32,347	33,485	3.5	
EBIT margin (%)	6.2	6.2	6.3			6.4	6.1		
EBITDA	10,939	11,301	11,877	8.6	5.1	42,792	44,705	4.5	
EBITDA margin (%)	8.1	8.3	8.3			8.4	8.1		
Interest expense	(1,740)	(1,672)	(1,616)	-7.1	-3.3	(7,196)	(6,721)	-6.6	Debt repayments reduced interest expense
Pretax profit	6,517	6,764	7,308	12.1	8.0	25,152	26,764	6.4	
Tax	(862)	(1,068)	(1,008)	17.0	-5.6	(3,969)	(4,070)	2.5	
Core profit	5,759	5,612	6,167	7.1	9.9	21,203	23,049	8.7	Moderate sales growth, increasing other income and lower financial costs supported core profit growth
Net profit	5,552	5,634	6,099	9.8	8.2	20,930	22,343	6.8	
Gross margin (%)	22.8	23.0	22.7			22.3	22.7		Solid sales of high-margin food products for 7-Eleven and Siam Makro, and improving service income; ie banking agent transactions at CVS
SG&A/sales (%)	20.3	20.6	20.3			19.7	20.3		SG&A expense-to-sales ratio rose in tandem with 7-Eleven's and Siam Makro's increase in personnel expense
Core profit margin (%)	4.3	4.1	4.3			4.2	4.2		
Net profit margin (%)	4.1	4.1	4.3			4.1	4.1		
Key indicators									
Number of stores									
- 7-Eleven convenience stores	10,988	11,640	11,712	6.6	0.6	10,988	11,712	6.6	72 CVS stores opened in 4Q19, and 724 were opened throughout 2019
- Siam Makro stores	132	132	134	1.5	1.5	132	134	1.5	Opened two new cash-and-carry stores in Thailand this quarter.
SSSG (%)									
- 7-Eleven convenience stores	4.5	2.0	0.0			3.2	1.7		Weak 4Q19 SSSG was due to cooler weather vs last year, which lowered beverage sales, weak consumption and tourism sentiment. The soft growth was also due to the high base in 4Q18
- Siam Makro stores	1.7	5.5	6.2			-0.1	6.3		
Net D/E (x)	1.2	1.2	1.1			1.2	1.1		

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2019-11-13	Buy	95.0	79.0
2019-08-14	Buy	95.0	83.5
2019-02-27	Buy	90.0	78.5
2019-02-22	Buy	88.0	78.8

Source: RHB, Bloomberg

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90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนารมณ์ CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนารมณ์เข้าร่วม CAC
- ได้รับการรับรอง CAC

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