

### SECTOR UPDATE

## Retail – Thailand

### Choppy Short-term Sentiment

We expect short-term choppiness in the retail sector as share prices are pressured by overhang in political events in Jun 24. However, for 2H24, we still foresee positive factors following: a) strong tourism resumption, b) upcoming government policy, and c) rural consumption recovery. We expect the sector's earnings to grow 19.5% yoy in 2024, led by CPALL, which is our top pick. Maintain OVERWEIGHT.

### WHAT'S NEW

- Indicators show mixed consumption sentiment.** Currently, we see mixed domestic consumption sentiment. Thailand's Consumer Confidence Index (CCI) declined from 63.8pt in Feb 24 to 62.1pt in Apr 24 amid the ongoing political situation in Thailand. However, we saw an improvement in the Business Sentiment Index (BSI) which represents confidence on the business front. We foresee key factors including political events in Jun 24 determining the mood and tone of consumption in 2H24, such as Move Forward Party's dissolution, the Prime Minister's dismissal, and a former Prime Minister's Section 112 case.
- Economic activity still ongoing.** Apart from the aforementioned political events, we still see an improvement in economic activities on the back of continuous tourism resumption, EURO football 2024, the upcoming government stimulus policy, and the 2025 fiscal budget. Tourist arrivals to Thailand in Jan-May 24 stood at 14.76m, up 38% from that for Jan-May 23. Therefore, we expect 2024 tourist numbers to be in line with or above the government's target of 35.0m, up from 28.2m in 2023 and 87% of 2019's numbers. We expect no delays in the 2025 fiscal budget and should see continuous government spending from 4Q24 onwards.
- SSSG to remain positive in 2Q24.** Overall, same-store-sales growth (SSSG) in Apr-May 24 remained positive. Grocery retailers saw positive SSSG, led by CP ALL (CPALL), as well as CP AXTRA (CPAXT) including Makro wholesales and Lotus hypermarkets. The softened SSSG momentum in May 24 was due to heavy rainfall at the end of the month. We foresee a positive trend in home- and construction-related retailers following a demand recovery from small contractor and technician customers. We are more positive on this segment on the back of signs of a SSSG recovery.
- CPALL is still the clear leader in the sector.** We estimate the retail sector's 2024 earnings at Bt37.8b, up 16.3% yoy on the back of both positive SSSG and profitability improvement at CPALL's 7-11 convenience store business. We anticipate CPALL reporting 2024 net profit growth of 29% yoy. We expect earnings of COM7 and Home Product Center (HMPRO) to grow 4% and 6.6% respectively while Berri Jucker's (BJC) earnings are expected to decline 13% yoy due to a higher effective tax rate.

### ACTION

- Maintain OVERWEIGHT.** Although we see choppy sector share prices in 2Q24, we believe this was due to the overhang on Thailand's political events. However, for 2H24, we still expect a better economic outlook including: a) tourism resumption, b) a gradual improvement in rural areas consumption, c) government stimulus packages, and d) strong sector earnings growth. Our top pick is CPALL.

### PEER COMPARISON

Company	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit		PE		Net EPS Growth 2024F (%)	P/B 2024F (x)	Yield 2024F (%)	ROE 2024F (%)
						2024F (Btm)	2025F (Bt m)	2024F (x)	2025F (x)				
BJC TB	HOLD	20.60	27.00	31.1	2,369	4,173	5,366	20.5	15.9	(13.0)	0.7	3.1	3.3
COM7 TB	HOLD	17.60	21.00	19.3	1,139	2,980	3,376	13.8	12.2	4.3	4.0	4.4	32.0
CPALL TB	BUY	56.75	84.00	48.0	14,211	23,867	26,542	21.5	19.3	29.1	4.1	2.3	7.6
HMPRO TB	BUY	9.10	15.70	72.5	3,376	6,864	7,480	17.7	16.3	6.6	4.5	4.5	26.0
<b>Sector</b>					<b>21,096</b>	<b>37,884</b>	<b>42,764</b>	<b>20.3</b>	<b>18.0</b>	<b>19.5</b>	<b>3.7</b>	<b>2.9</b>	<b>11.4</b>

Source: Bloomberg, UOB Kay Hian

## OVERWEIGHT (Maintained)

### SECTOR PICKS

Company	Ticker	Rec	Share Price (Icy)	Target Price (Icy)
CP ALL	CPALL TB	BUY	56.75	84.00

Source: UOB Kay Hian

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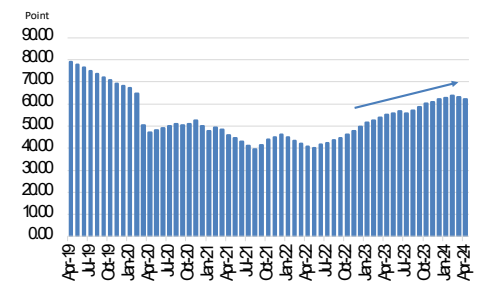
APR-MAY 24 SAME-STORE SALES GROWTH TREND

Company	Description	1Q23	2Q23	3Q23	4Q23	1Q24	Apr24F	May24F
<b>Home &amp; Construction Material Sellers</b>								
DOHOME	Home improvement and Construction material	-9.0%	-9.9%	-7.1%	-9.1%	-9.8%	-8.9%	-5.6%
ILM inc.elec	Furniture	9.3%	9.1%	13.1%	13.0%	7.5%	-3.4%	+5%
HMPRO	Home improvement	5.8%	4.9%	-3.6%	-8.5%	-2.5%	-5.0%	-5.0%
Mega Home	Home improvement and Construction material	-1.0%	-2.0%	-1.5%	-7.0%	-5.0%	+0.5%	+1%
HMPRO Malaysia	Home improvement	7.0%	-11.0%	-6.0%	-2.0%	2.5%	-11.0%	-11.0%
GLOBAL	Home improvement and Construction material	-8.7%	-9.5%	-12.0%	-13.0%	-5.0%	-1.0%	-2.0%
Thai Watsadu (CRC Hardline)	Home improvement and Construction material	5.0%		1.0%	-4.0%	-4.0%		-2-3%
<b>Retailers &amp; Wholesalers</b>								
MAKRO	Wholesalers	10.8%	6.0%	3.2%	1.7%	3.4%	3.0%	2.5%
Lotus	Hypermarket and Convenience store	0.5%	-0.9%	2.5%	5.5%	6.9%	5.0%	+4-5%
CPALL	Convenience Store	8.0%	7.9%	3.5%	3.6%	4.9%	4.5%	+3-4%
BJC exc B2B	Hypermarket, Convenience store and Manufacturer	5.8%	4.8%	2.1%	-0.5%	1.3%	-2-3%	-1-2%
<b>Multiformat</b>								
CRC	Fashion, Hardline and Food	13.0%	4.0%	0.0%	-2.4%	1.5%		-2-3%
CRC Fashion		31.0%	14.0%	6.0%	3.0%	2.0%		+2-3%
CRC Hardline		0.3%	-2.0%	-6.0%	-8.0%	-5.0%		-7-8%
CRC Food		8.0%	-2.0%	-3.0%	-5.0%	4.0%		-2-3%

Source: Respective companies, UOB Kay Hian

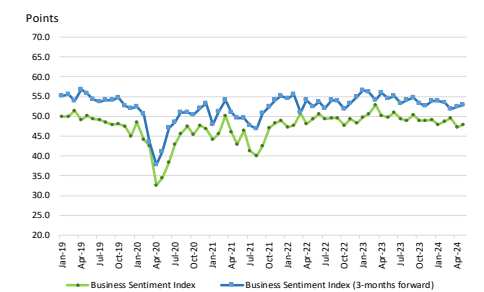
- Grocery retailers' SSSG remains positive.** The softened SSSG in May 24 was mainly due to heavy rainfall at the end of the month. CPALL and CPAXT (Lotus + Makro) continued to deliver positive SSSG while Central Retail Corporation's grocery business (CRC Food) was pressured by a decline at Vietnam Go hypermarket (Thailand grocery remained flatish yoy). BJC's SSSG remained negative; however, taking into account 25 tourist stores (which accounted for 18% of sales), the qtd SSSG was 3-5% yoy, in line with peers.
- Home-related retailers' SSSG to see signs of recovery.** The SSSG was on a recovery trend, compared with 1Q24. The positive recovery names include GLOBAL, DOHOME, and Mega Home (HMPRO's subsidiary), driven by the pick-up in small contractor and technician customers which began reordering. HMPRO's SSSG remained sluggish, due to the impact from: a) weakened consumption; and b) short-term impact from some stores which contributed around -2% to Apr-May 24's SSSG, such as slower customer traffic in stores with road construction nearby.
- Update on government policy.** Over the past week, the government launched two new policies including: a) tax deduction of Bt15,000 for spending in secondary tourism provinces from May-Nov 24 (low tourism season); and b) cabinet approving the VAT on imported goods below Bt1,500 to tackle low-priced goods from abroad, especially China. We expect this to be positive to the retail sector.

THAILAND CONSUMER CONFIDENCE INDEX (CCI)



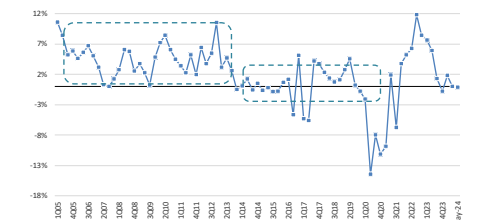
Source: UTCC

BUSINESS SENTIMENT INDEX CURRENT AND NEXT 3 MONTHS



Source: Bank of Thailand

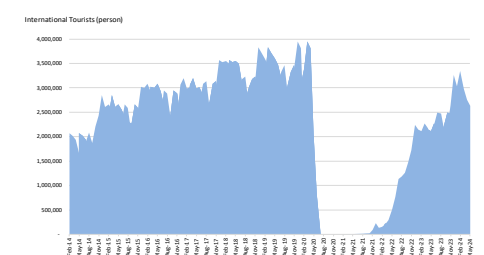
SECTOR SSSG MOMENTUM



Note: Calculated from average of CPALL, CPAXT, HMPRO, and BJC's SSSG growth

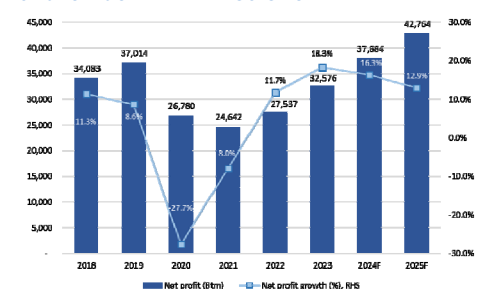
Source: UOB Kay Hian

INTERNATIONAL TOURIST ARRIVALS



Source: MOTS

SECTOR CORE EARNINGS GROWTH



Source: UOB Kay Hian

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