

CP ALL SDR (TCPD.SI)

NON RATED



Riding on rising consumer spending

Research Analyst

Gerald Wong, CFA
gerald@growbeansprout.com

- CP All operates Thailand's largest convenience store chain (CVS), with more than 14,000 corporate and franchisee 7-Eleven stores. Together with stores operated under the Lotus' Go Fresh brand, CP All has a domineering market share of 73% in Thailand's CVS market.
- With the acquisition of Makro, Thailand's largest cash-and-carry operator in 2013, CP All has expanded into the retail business. The company further expanded into the retail market through the acquisition of Lotus Thailand and Malaysia in 2021.
- CP All has consistently added more than 700 new convenience stores per year historically, and targets to continue to do the same in 2023. There is also scope for same store sales growth to improve with increased consumption spending with the return of foreign tourists.
- Outside of Thailand, CP All also holds the franchise rights from 7-Eleven, Inc. to manage 7-Eleven stores in Cambodia and Laos, and targets to open up to 100 stores in Cambodia and to set up its first store in Laos in 2023.

Company background

CP All operates Thailand's largest convenience store chain (CVS) and the world's third-largest 7-Eleven chain after Japan and the US. It also holds the franchise rights from 7-Eleven, Inc. to manage 7-Eleven stores in Cambodia and Laos. Its controlling shareholder is CP Group, with a 35.3% stake.

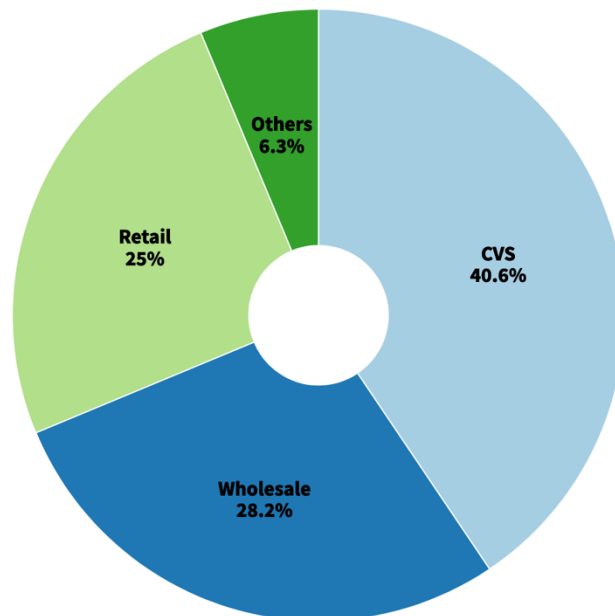
CP All expanded into the wholesale retail market through the acquisition of Siam Makro Public Company Ltd (Makro), Thailand's leading cash-and-carry operator, for US\$6.6bn in 2013.

The company further expanded into the grocery retail market through the acquisition of Lotus Thailand and Malaysia, a leading retail operator in 2021.

CVS is the biggest contributor to the group, accounting for 40.6% of revenue. Grocery wholesaling and retailing under Makro and Lotus contributed 28% and 25% of revenue, respectively. About 94% of CP All's revenue is derived from Thailand.

Figure 1: CVS is the greatest contributor to CP All's revenue

Breakdown of revenue by segment

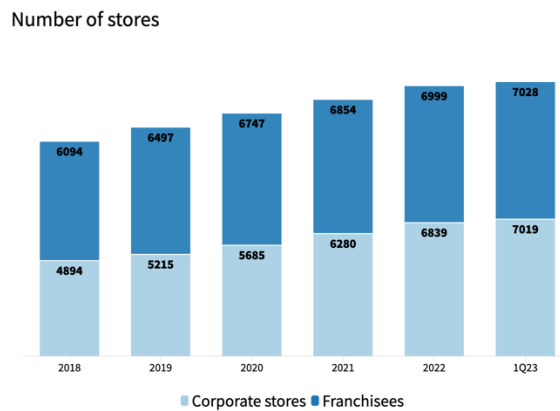


Source: Company data

Convenience stores

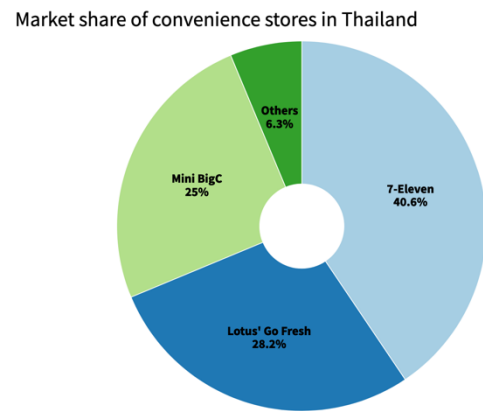
As of March 2023, the company operates 14,047 stores in Thailand under a corporate and franchisee system and 54 stores in Cambodia. CP All takes the lion's share of 73% of Thailand's convenience stores business, comprising 64% for 7-Eleven and 9% for Lotus' Go Fresh.

Figure 2: CP All operates more than 14,000 stores in Thailand



Source: Company Data

Figure 3: CP All has a market share of 73% in Thailand's convenience stores business



Source: Company Data

CVS also operates an Online-to-Offline (O2O) platform, whereby customers can place online orders and the goods are delivered to them via 7-Delivery service. Online sales account for 14% of total retail sales in Thailand.

To capitalise on its nationwide store network and O2O platform, the stores also offer fulfilment services which account for 10% of sales. These services include:

1. Financial services under 'Counter Service', whereby it serves as an agent for all leading banks to provide cash transactions to the banks' customers round the clock.
2. It co-operates with All Speed-D Company Ltd to provide parcel pick-up and delivery services with a tracking systems. CP All also partners with third party logistics providers for parcel delivery to support online transactions.
3. The outlets serve as collection points for a leading laundry service company, "Cleanmate". Space outside the stores are also leased out to 24-hour self-service laundrette operators.

Wholesale Business

The wholesale business comprises:

1. Cash and carry business under the "Makro" brand in Thailand and other Asian countries. Makro sells consumer products, including fresh and dry food, under house brands and third-party brands. The target customers are food retailers, hotels, restaurants and catering (horeca), and food service operators.
2. Imports, exports and distribution of frozen and chilled food to 4 to 5-star hotels, high-end restaurants, hospitals and airlines.

Retailing business

Lotus is a leading consumer goods retailer in Thailand and Malaysia. The main product lines include fresh food, consumer and general goods, liquor and tobacco, and clothing. These are marketed under domestic and international brands.

During the pandemic, CP All adjusted its strategy to offer the concept of “Small Supermarket Near Your Home”. The retail outlets stock daily essentials and cut the need for customers to shop at hypermarket or supermarket. The large-store formats that are located in residential areas carry a broader range of merchandise. These also include a dedicated corner for ready-to-cook products with fresh and frozen selections. It also installed vending machines that carry food, beverages and daily essentials at communities, factories and condominiums.

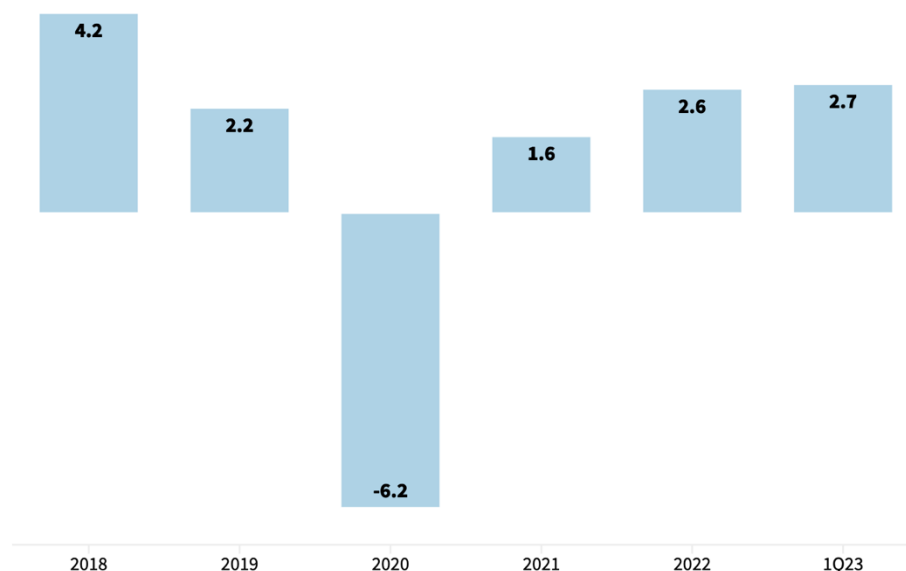
Industry outlook

Private consumption in Thailand has been robust

Thailand’s economy grew 2.7% yoy in 1Q23, backed by services exports and private consumption. Services exports were up 88% yoy, and 11.6% qoq, as the tourism recovery gained traction with China’s re-opening. Private consumption growth was robust, at 5.4% yoy.

Figure 4: Thai GDP growth has been robust

Thai GDP growth (YoY)



Source: Bank of Thailand

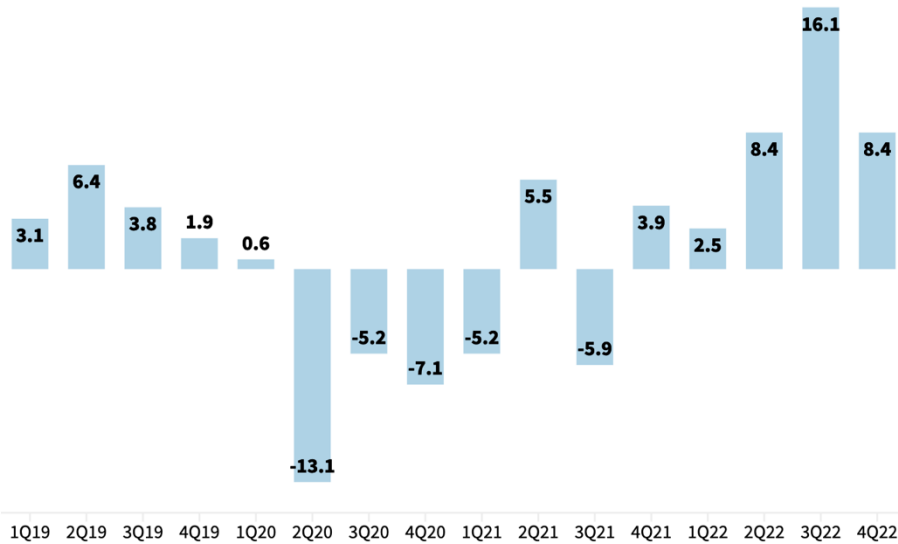
Faster pace of growth at convenience stores

Retail sales at convenience stores have grown faster than overall retail sales. Increased mobility among the residents and foreign tourist recovery bode well for consumption demand.

During the election campaigning period, major parties have pledged significant fiscal stimulus. These could boost consumption and economic growth.

Figure 5: Retail sales at convenience growth has recovered strongly

Thai retail sales growth for convenience stores (YoY)



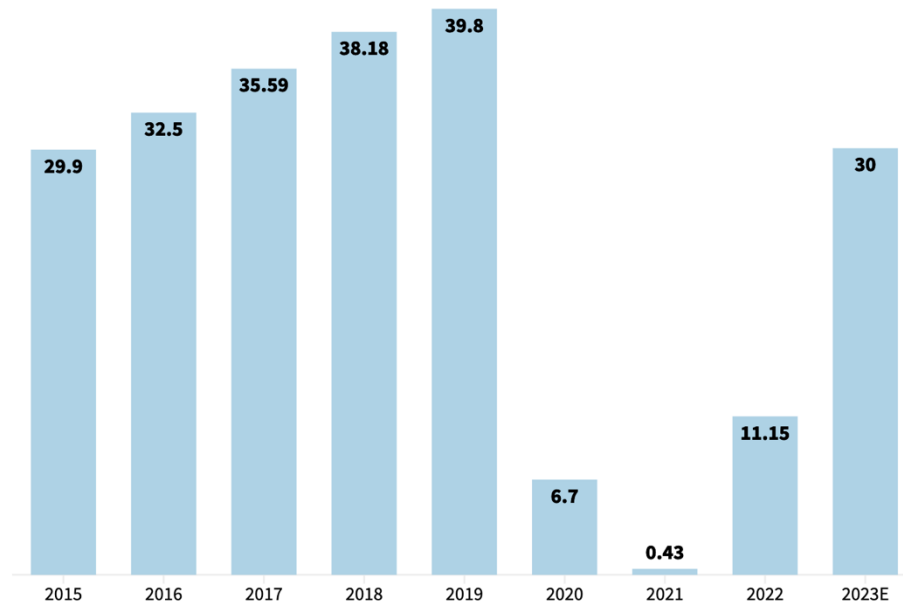
Source: Bank of Thailand

Tourism is a bright spot

The recovery of international tourism sector is a key driver. Tourist arrivals in 2019 was 40m in 2019, and contributed to 11.9% of Thailand's GDP. The number of international tourists plummeted to just 430,000 in 2021 and rebounded to 11.2m in 2022, helped by the easing of pandemic-related travel restrictions in many countries from second half of the year. The reopening of China in early 2023 will draw more tourists and lift retail spending in Thailand.

Figure 6: Tourists arrivals in Thailand expected to reach 30 million in 2023

Tourist arrivals in Thailand (in millions)



Source: Statista

Company outlook

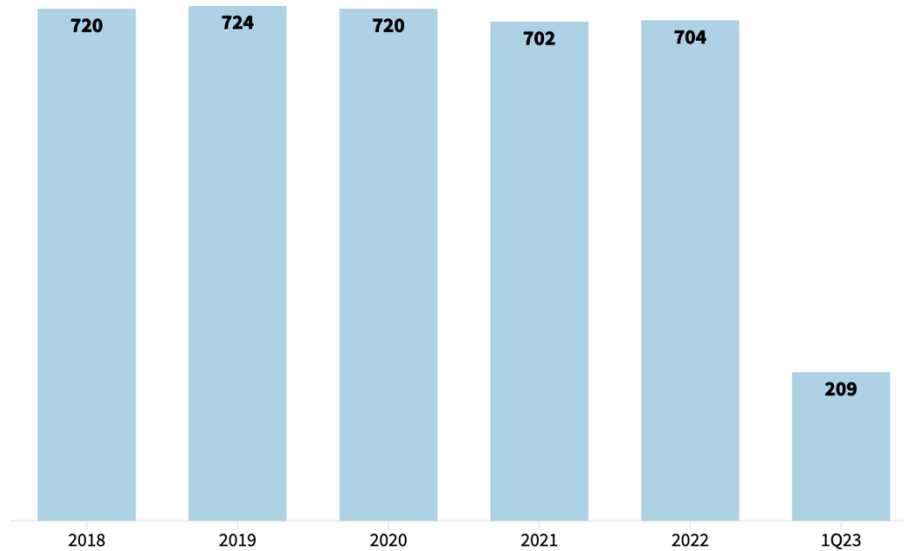
New store opening and higher same store sales growth

CP All operates 7,019 7-Eleven stores in Thailand as of March 2023. Another 7,028 stores are operated by store business partners. About 700 new stores are added every year. In Thailand, CP All will continue to build its store network and plans to add net 700 stores in 2023.

At the same time, the 7-Eleven stores are adding food and beverage options, offering a range of fresh and frozen food, ready-to-cook, ready-to-eat, and quick service retail selection. This caters to the change in consumer behaviour post-pandemic, which has tilted towards dining at home, easy to cook convenience food, and shopping at outlets that are at close proximity to home.

Figure 7: CP All is expected to open another 700 stores in 2023

New stores added



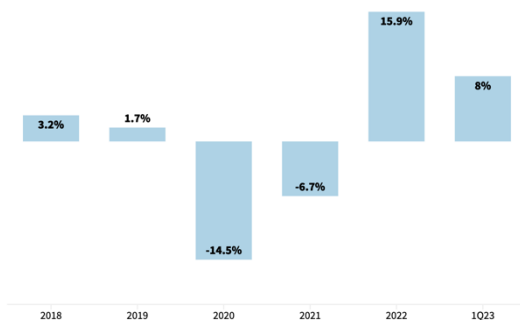
Source: Company data

Same store sale growth fell during FY20 and FY21 when the number of customers and tourists plummeted and the operating hours were shortened. It rebounded strongly by 15.9% in FY22 and continued to improve in 1Q23 (+8.0% yoy). There could be further room for growth as daily revenue per store in 1Q23 is still 4.8% below pre-Covid level in FY19.

This is supported by a Covid-induced shift in consumer preference towards ready-to-eat meals and home delivery service; 2) resumption of outdoor activities and road traffic after the lifting of Covid restrictions, boosting retail shopping and spending at convenience stores located at the gas stations; and 3) return of tourists.

Figure 8: CP All same store sales growth has recovered since 2022

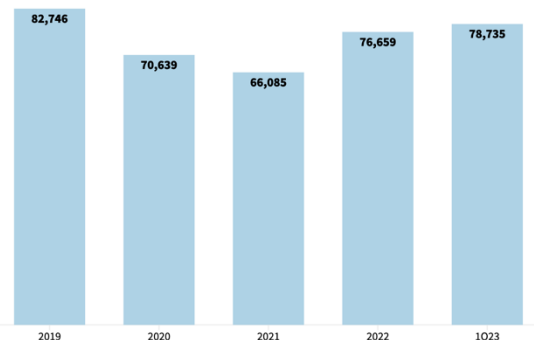
Same store sales growth (YoY)



Source: Company Data

Figure 9: CP All average daily revenue per store still 5% below 2019 levels

Average daily revenue per store (Bht)



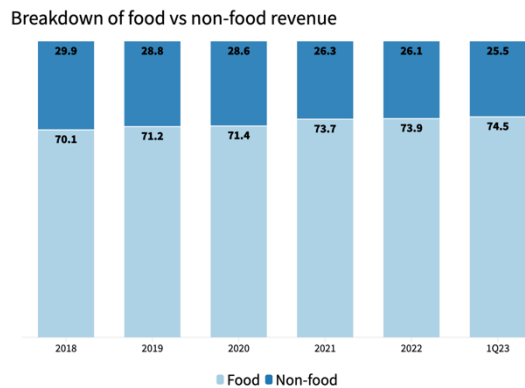
Source: Company Data

Shift towards food items in its product offering

The strategy is to gradually shift its product mix towards food items in its product offering. The share of food segment, which comprises ready-to-eat foods, processed food and beverages, has continued to rise, accounting for 74.5% of revenue in 1Q23. This is to cater to growing needs for ready-to-eat and ready-to-cook meals, food delivery services, and to shop nearer to home.

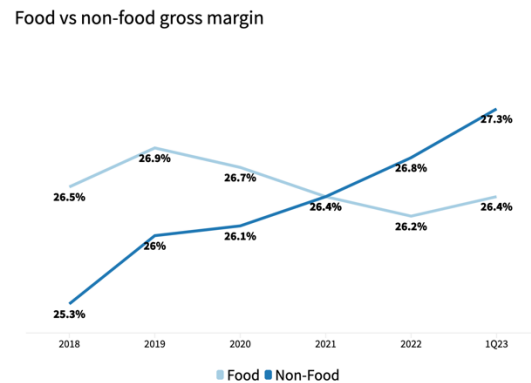
On the other hand, non-food segment has seen greater margin expansion (+0.5% pt in 1Q23). Non-food segment includes personal care, single-use items, household and cigarettes.

Figure 10: CP All's share of revenue from non-food has been rising



Source: Company Data

Figure 11: CP All's non-food gross margin has surpassed its food margin



Source: Company Data

Market expansion in Cambodia and Laos

As at end Mar 2023, CP All operates 54 stores in Cambodia. It targets to open up to 100 stores in Cambodia and to set up its first store in Laos in 2023.

According to the World Bank, Cambodia's economy grew at an annual rate of 7.7% between 1998 and 2019, one of the fastest-growing economies in the world. The economic growth for 2023 is projected to reach 5.2%. GDP per capita, at US\$1,625 in 2021 is about 23% of Thailand's, but the country has set a goal to reach middle-income status by 2030.

Risks

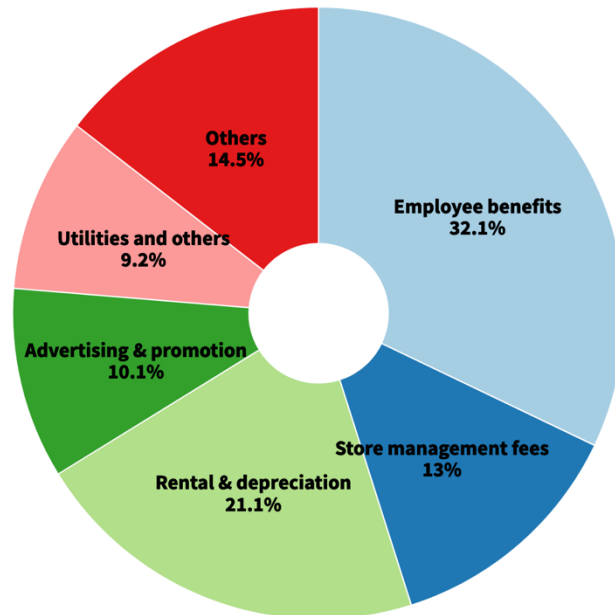
Increase in labour costs

Employee benefits made up 32% of the selling and general administrative expenses. However, we note that these accounted for only 6.4% of sales in FY22. A key downside risk is if there was a significant increase in the

minimum wage, which was a promise by various political groups at recent election campaigns.

Figure 12: Employee costs represent about 32% of CP All's selling expenses

Breakdown of costs



Source: Company data

The acquisition of Lotus resulted in higher net gearing for the group. Net debt to equity rose to 2.2x in FY20. This has since improved to 1.3x as debts are being pared down. Net debt to EBITDA have also eased to 5.4x in FY22. Interest coverage, which is EBITDA to interest expense, edged up slightly to 2.2x.

Key management

Mr. Yuthasak Poomsurakul, CEO

Mr. Yuthasak Poomsurakul was appointed CEO of CP All since July 2022. Prior to being CEO, Mr. Poomsurakul served as Managing Director of the company from 2020-2022, and Senior Vice President of Marketing and Merchandising from 2016 to 2021.



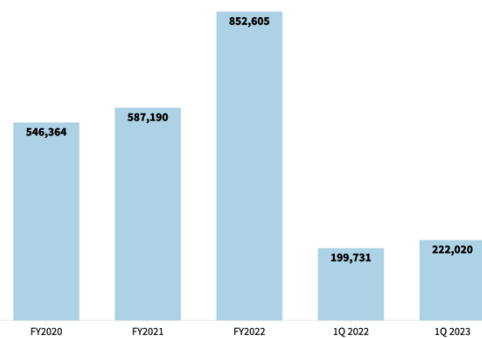
Mr. Poomsarakul holds a Masters Degree in Marketing from Thammasat University and Bachelor Degree in Business Administration from Assumption University and Bachelor Degree in Economics from Ramkhamhaeng University.

Financial summary

Revenue had been on an uptrend since 2013, and fell only in FY20 when Covid hit. FY22 revenue (+46.4% yoy) was also helped by the first full-year contribution from Lotus' operations. Gross margins have remained relatively stable over the last five years. However, higher finance expense led to lower net margin and profit in FY22.

Figure 13: CP All's revenue grew to THB 222 billion in 1Q 2023

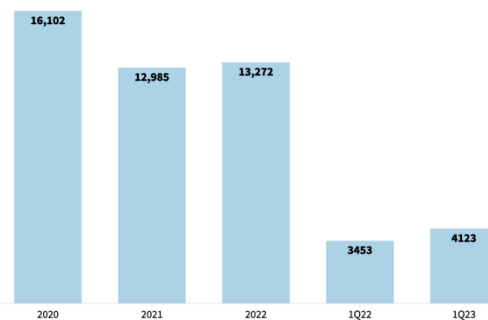
CP All revenue (In THB mn)



Source: Company Data

Figure 14: CP All net profit rose to THB 4.1 billion in 1Q 2023

CP All profit (In THB mn)



Source: Company Data

Figure 15: CP All financial summary

Accounting Type	Consolidate (FY, December)			Consolidate (Qtrly)	
	FY2020	FY2021	FY2022	1QFY2022	1QFY2023
Cash And Cash Equivalents	40,589	92,348	71,424	81,662	43,596
Current Assets	81,404	165,773	148,955	155,584	120,357
Non-Current Assets	441,950	766,119	775,106	765,297	775,979
Total Assets	523,354	931,893	924,061	920,880	896,336
Current Liabilities	123,383	214,888	207,443	207,308	212,083
Non-Current Liabilities	288,377	424,197	426,317	416,967	389,074
Total Liabilities	411,759	639,085	633,760	624,275	601,157
Shareholders' Equity	96,759	104,134	100,724	107,265	104,809
Minority Interest	14,836	188,673	189,577	189,341	190,370

Statement of Comprehensive Income, Unit: M.Baht

Accounting Type	Consolidate (FY, December)			Consolidate (Qtrly)	
	FY2020	FY2021	FY2022	1QFY2022	1QFY2023
Total Revenues	546,364	587,190	852,605	199,731	222,020
EBITDA	48,438	49,706	73,458	17,985	19,388
EBIT	27,788	25,220	36,914	9,026	10,404
Net Profit : Owners Of The Parent	16,102	12,985	13,272	3,453	4,123
EPS (B.)	1.68	1.33	1.39	0.36	0.45

Statement of Cash Flow, Unit: M.Baht

Accounting Type	Consolidate (FY, December)			Consolidate (Qtrly)	
	FY2020	FY2021	FY2022	1QFY2022	1QFY2023
Operating Cash Flow	39,148	46,319	69,873	10,518	4,479
Investing Cash Flow	-97,405	-2,097	-30,506	-10,532	-7,529
Financing Cash Flow	68,959	7,510	-64,312	-10,653	-24,696
Net Cash Flow	10,703	51,732	-24,945	-10,667	-27,746

Ratios Annualized : ROE, ROA

	FY2021	FY2022	1QFY2022	1QFY2023
ROE (%)	12.9	13.0	13.4	13.2
ROA (%)	3.5	4.0	3.9	4.2
D/E (X)	2.2	2.2	2.1	2.0
Gross Profit Margin (%)	21.3	21.5	21.5	21.7
EBIT Margin (%)	4.3	4.3	4.5	4.7
Net Profit Margin (%)	2.1	1.9	2.1	

Source: Stock Exchange of Thailand

Disclosure Appendix

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