

Dominating convenience with resilience

- Strong fundamental with SSSG and GPM improving
- Despite looking mature, we believe there is still room for expansion
- Initiated with a BUY and TP of THB75

Why do we keep spending more at 7-11?

It's undeniable that most readers are likely customers of 7-11, and over time, many have increased their spending, whether consciously or not. This trend highlights the core strength of 7-11: convenience. With CPALL expanding its network by over 700 stores annually, the increasing accessibility naturally drives higher customer spending. The closer and more convenient the stores become, the more frequently customers rely on 7-11 for daily needs, reinforcing its position as an essential part of consumers' routines.

CPALL's winning formula: Rising margins and loyal customers

Over the past decade, CPALL has shown a remarkable operational efficiency, as reflected in its steadily improving GPM. From around 25% in 2014, increased to 26% in 2016 and has continued to grow, reaching nearly 28% by 3Q24. This consistent improvement in profitability highlights CPALL's ability to effectively manage costs while expanding its customer base and maintaining strong customer loyalty. The combination of improved margins and customer growth underscores the high quality and sustainability of CPALL's business model, making it a standout performer in the commerce sector.

Has 7-11 reached its limit in Thailand?

CPALL currently operates over 15,000 7-11 stores in Thailand, with significant expansion potential remaining. Based on comparisons with Japan's population per CVS, Thailand could accommodate up to 10,000 additional stores, suggesting ample room for growth. However, the true indicator of market maturity lies in tracking the Average Daily Sales (ADS). Sustainable expansion depends on maintaining or increasing ADS alongside new store openings. Currently, CPALL's ADS is still rising, signaling that the market has yet to reach saturation.

A challenge or a savings opportunity for CPALL?

One concern for CPALL is its high interest-bearing debt, exceeding THB300b, with an annual interest cost of THB15.5b, comprising 90% debentures and 10% bank loans. Given an average tenor of 5 years, changes in interest rates have a limited immediate impact. However, a 0.5% reduction in interest rates would save CPALL at least THB160m annually, and further benefits could be realized if the company can lower its debenture rates, enhancing overall cost efficiency.

Initiated with a BUY and TP of THB75

We initiated coverage on CPALL with a BUY and a TP of THB75 implying a 25E P/E of 24x, compared to its 2-year and 5-year historical averages of 25x and 27x, respectively. With the stock currently trading at 21x, CPALL presents substantial upside potential for investors.

ESG Rating : AAA

CG Rating : ▲▲▲▲▲

BUY

Target Price 12M (THB)	75.00
VS. BB Consensus TP (%)	-7.0%
Share Price (THB)	62.25
Upside/Downside	+20.5%

Share Data

Market Cap (THB m)	559,198.06
Par (THB)	1.00
Free Float (%)	64.31
Issued shares (m shares)	8,983

Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	895,281	960,903	1,009,546	1,053,923
Net profit	18,482	25,637	28,550	32,155
Core net profit	18,482	25,637	28,550	32,155
vs Consensus (%)	-	7.4	6.2	7.5
Net profit growth (%)	39.3	38.7	11.4	12.6
Core net profit growth (%)	39.3	38.7	11.4	12.6
EPS (THB)	2.06	2.85	3.18	3.58
Core EPS (THB)	2.06	2.85	3.18	3.58
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	1.00	1.43	1.59	1.79
P/E (x)	27.22	21.81	19.59	17.39
P/BV (x)	4.53	4.38	3.90	3.47
ROE (%)	19.27	23.44	22.74	22.59
Dividend yield (%)	1.79	2.29	2.55	2.88

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(1.97)	2.89	8.26	11.16
Market	(0.12)	(3.08)	1.37	9.52
12M High/Low (THB)				68.00 / 50.50



Major Shareholders (%) as of

C.P. Merchandising	31.94
Thai NVDR Company Limited	11.90
STATE STREET EUROPE LIMITED	2.93

Company Profile

The Company operates the convenience store business under the 7-Eleven trademark and franchises to other retailers in the territory of Thailand and has invested in supporting businesses such as manufacturing facility of food & bakery products, bill payment services and so on

Source: SETSMART, SET

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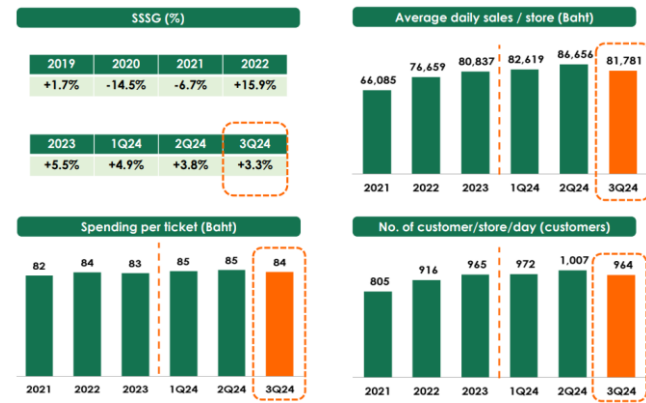
Peerayu Sirivorawong

Dominating convenience with resilience

CPALL has consistently demonstrated positive SSSG annually, with the exception of the pandemic years in 2020-2021, reflecting its ability to drive sales growth even amidst challenges. A closer look at the SSSG reveals a steady increase in spending per ticket over the years, while the company has successfully retained its customer base despite expanding its store count by over 700 stores annually.

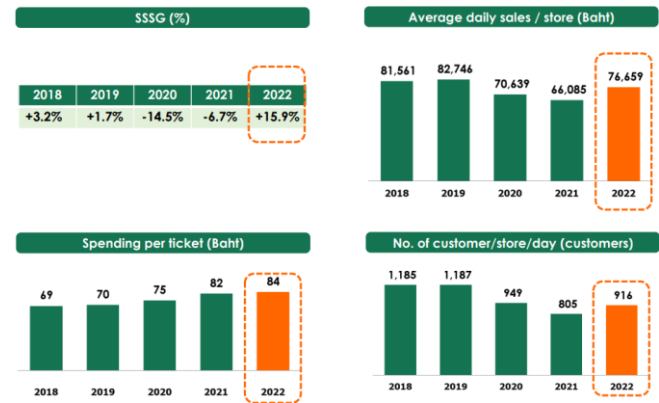
As shown in Exhibit 3, customer footfall dropped significantly during the COVID-19 pandemic but is now on a recovery trajectory, although it has not yet reached pre-pandemic levels. Despite this, the combination of higher spending per ticket and recovering customer traffic has enabled CPALL to gradually grow its average daily sales per store. For 2024E, we anticipate that average daily sales will surpass pre-COVID-19 levels.

Exhibit 1: 3Q24 SSSG



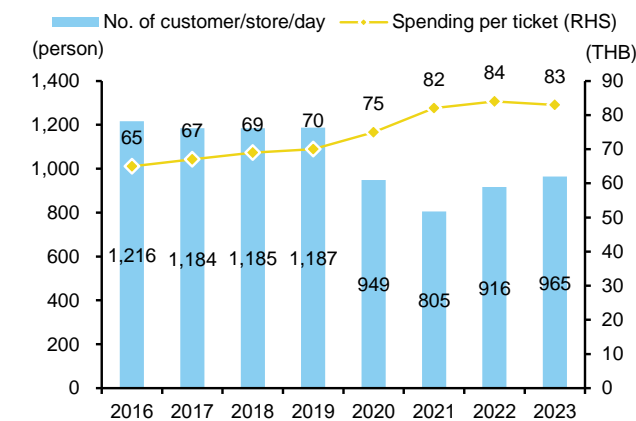
Sources: CPALL

Exhibit 2: SSSG from 2018-2022



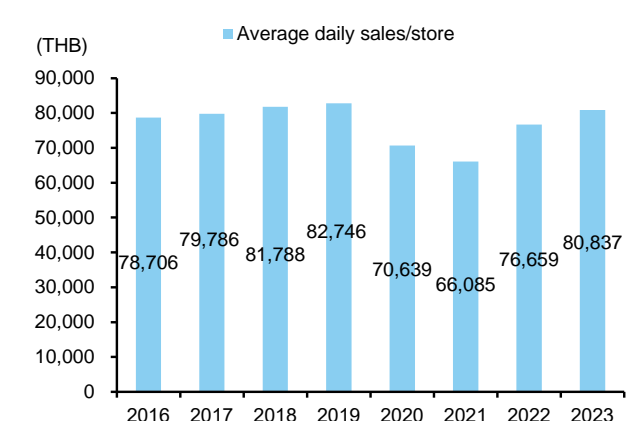
Sources: CPALL

Exhibit 3: 7-11 No. of customer/store/day



Sources: CPALL

Exhibit 4: 7-11 average daily sales per store

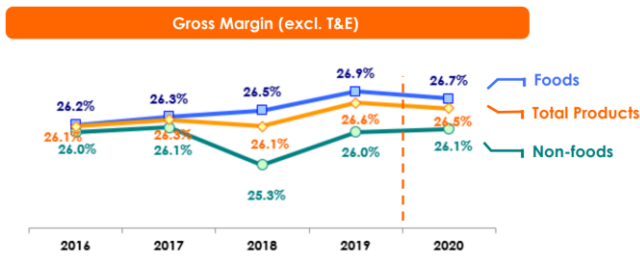


Sources: CPALL

CPALL's extensive nationwide network provides it with a significant competitive advantage, enabling superior economies of scale compared to its peers. This extensive scale allows for a more efficient distribution process. Furthermore, CPALL's strong network enhances its bargaining power with both suppliers and buyers, reinforcing its ability to maintain a competitive edge in pricing and operational efficiency. These factors collectively contribute to the company's consistent growth and resilience in an increasingly competitive commerce sector.

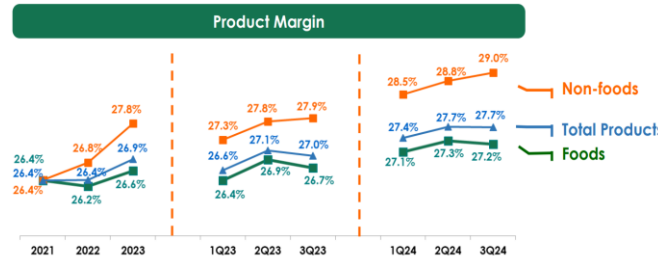
Over the past decade, CPALL has demonstrated remarkable operational efficiency, as reflected in its steadily improving GPM. From around 25% in 2014, increased to 26% in 2016 and has continued to grow, reaching nearly 28% by 3Q24. This consistent improvement in profitability highlights CPALL's ability to effectively manage costs while expanding its customer base and maintaining strong customer loyalty. The combination of improved margins and customer growth underscores the high quality and sustainability of CPALL's business model, making it a standout performer in the sector

Exhibit 5: CPALL's GPM 2016-2020



Sources: CPALL

Exhibit 6: CPALL's GPM 2021-2024

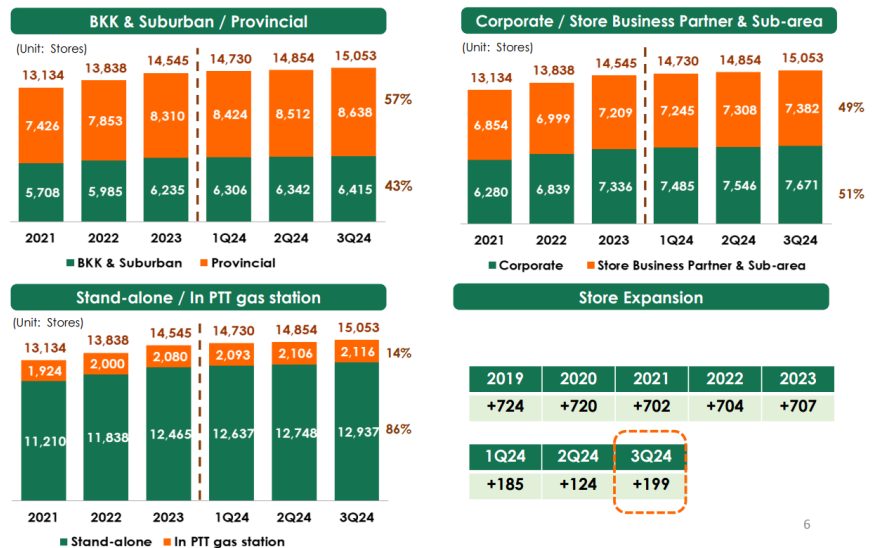


Sources: CPALL

Has 7-11 reached its limit, or is there still room to grow?

CPALL has been expanding around 700 stores yearly since 2014, which as of 3Q24E, total number of 7-11 in Thailand is now over 15,000 stores.

Exhibit 7: 7-11 store breakdown



Sources: CPALL

When evaluating the limit CVS in Thailand, it is crucial to consider comparable markets. While South Korea and Taiwan offer insights into high CVS density, we think it is unlikely to serve as direct benchmarks for Thailand.

South Korea, despite having a smaller population, supports approximately twice the number of CVS as Thailand due to its high population density and advanced urbanization. Similarly, Taiwan's population density and urban lifestyle drive a higher CVS density, making these markets less applicable for defining Thailand's maximum CVS potential.

Exhibit 8: Population per CVS

Country	Population (million)	Number of CVS (stores)	Population per CVS
South Korea	51.7	48,480	1,066
Taiwan	23.4	13,706	1,709
Japan	124.5	56,000	2,223
Thailand	71.8	20,000	3,590
Singapore	5.9	1,000	5,900
Indonesia	277.5	46,118	6,017
Malaysia	34.3	3,714	9,235

Sources: World Bank, Glolex Research

Japan, on the other hand, provides a more relevant comparison. With a land area closer to Thailand and a CVS market that has stabilized at over 50,000 stores for decades, Japan offers a clearer benchmark. If Thailand were to reach a population-to-CVS ratio similar to Japan, where there is one CVS for every 2,200 people, Thailand could potentially sustain around 32,000 stores. This represents a 60% increase from the current estimate of 20,000 stores, highlighting significant room for growth under optimal conditions.

However, achieving this number would represent a best-case scenario. The real measure of whether Thailand's CVS market is approaching maturity lies in tracking the Average Daily Sales per Store (ADSS). Expansion should not come at the expense of store performance. If ADSS continues to grow alongside store openings, it would indicate that the market has yet to reach saturation and that additional expansion is viable. Conversely, if ADSS stagnates or declines, it could signal that the market is nearing its limit.

Exhibit 9: Countries population density

Country	Population (million)	Land Area (sq km)	Population density (person/sq km)
South Korea	51.7	97,230	532
Taiwan	23.4	32,260	726
Japan	124.5	364,485	342
Thailand	71.8	513,120	140
Singapore	5.9	710	8,310
Indonesia	277.5	1,811,570	153
Malaysia	34.3	328,550	104

Sources: World Bank, Glolex Research

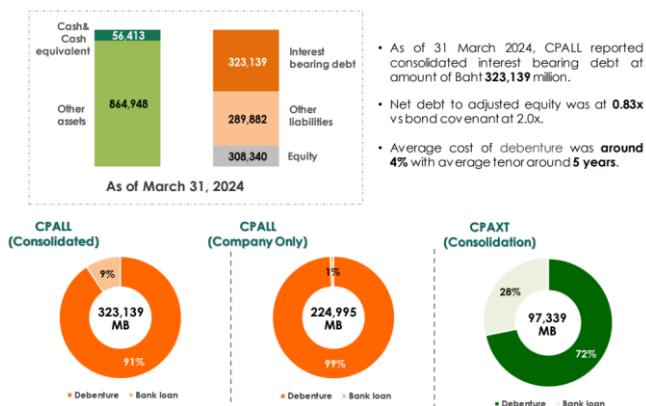
One concern for CPALL is its high interest-bearing debt, exceeding THB300b, with an annual interest cost of THB15.5b, comprising 90% debentures and 10% bank loans. The current IBD/E ratio stands at 1.0x, well below the bond covenant limit of 2.0x, indicating manageable leverage. Given an average tenor of 5 years, changes in interest rates have a limited immediate impact. However, a 0.5% reduction in interest rates would save CPALL at least THB160m annually, and further benefits could be realized if the company can lower its debenture rates, enhancing overall cost efficiency.

Exhibit 10: CPALL Interest-bearing debt

Metrics	Amount (THB m)
Interest-Bearing Debt	318,290
Annual Interest Expense	15,500
Annual Interest Expense with 0.5% interest rate reduction	15,340
Annual Interest Savings	160
IBD/E Ratio	1.02x

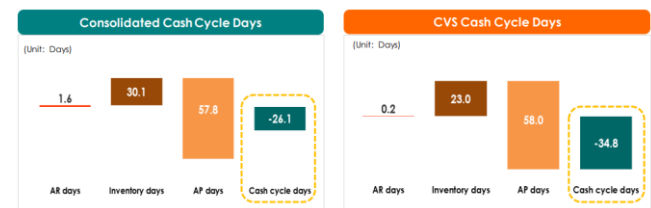
Sources: Globlex Research

Exhibit 11: Leverage ratios



Sources: CPALL

Exhibit 12: Working capital



Sources: CPALL

Initiated with a BUY and TP of THB75

We recommend a BUY for CPALL with a TP of THB75, based on a 2025E P/E of 24x. At its current P/E ratio of 21x, CPALL is trading at the -1SD range of its 2-year and 5-year historical averages, which stand at 25x and 27x, respectively. This lower valuation offers a significant margin of safety, especially given the company's consistent enterprise value over the past five years and improved net profit growth that has outpaced enterprise value expansion. This combination of growth and discount makes CPALL an attractive investment opportunity.

Looking ahead, we view the 5-year mean P/E of 27x as an aggressive benchmark given CPALL's expanded store network, broader market coverage, and Thailand's current stock market conditions, which may temper the company's ability to replicate its earlier high growth rates. Instead, the 2-year mean P/E of 24-25x provides a more realistic and fair valuation benchmark, aligning with CPALL's current scale and market dynamics. With its near-monopoly in the convenience store sector, strong operational efficiency, and proven ability to adapt to evolving consumer trends, CPALL is well-positioned for long-term growth, offering substantial upside potential at current levels.

Balance sheet (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Current assets					
Cash & ST investment	71,424	67,234	93,010	113,798	136,754
Account receivable	3,620	3,326	4,287	4,627	4,981
Inventories	58,183	57,501	64,621	67,724	70,453
Others	15,728	15,737	16,802	17,652	18,428
Non-current assets					
Net fixed assets	213,410	213,792	217,811	221,437	224,650
Others	561,696	568,902	568,902	568,902	568,902
Total Assets	924,061	926,491	965,433	994,140	1,024,167
Current liabilities					
Account payable	115,963	128,096	143,957	150,871	156,949
ST borrowing	53,011	73,781	73,781	73,781	73,781
Others	38,469	36,320	38,982	40,956	42,756
Long-term liabilities					
Long-term debts	393,872	353,745	353,745	353,745	353,745
Others	32,446	32,954	32,954	32,954	32,954
Total liabilities	633,760	624,896	643,420	652,307	660,186
Paid-up capital	8,983	8,983	8,983	8,983	8,983
Retained earnings	-216	-1,033	15,621	31,352	49,232
Others	91,957	103,046	103,046	103,046	103,046
Minority interest	189,577	190,600	194,491	198,580	202,848
Shareholders' equity	290,301	301,595	322,141	341,961	364,109

Key ratios					
Year ending Dec	2022	2023	2024E	2025E	2026E
Growth (%YoY)					
Sales	46.7	8.0	7.3	5.1	4.4
Operating profit	75.5	7.8	11.6	0.3	1.0
EBITDA	75.5	7.8	11.6	0.3	1.0
Net profit	2.2	39.3	38.7	11.4	12.6
Core net profit	2.2	39.3	38.7	11.4	12.6
EPS	2.2	39.3	38.7	11.4	12.6
Core EPS	2.2	39.3	38.7	11.4	12.6
Profitability (%)					
Gross margin	25.9	26.0	22.5	22.7	23.0
Operation margin	5.9	5.9	6.2	5.9	5.7
EBITDA margin	5.9	5.9	6.2	5.9	5.7
Net margin	1.6	2.1	2.7	2.8	3.1
ROE	15.2	19.3	23.4	22.7	22.6
ROA	1.4	2.0	2.7	2.9	3.2
Stability					
Interest bearing debt/equity (x)	1.5	1.4	1.3	1.3	1.2
Net debt/equity (x)	1.3	1.2	1.0	0.9	0.8
Interest coverage (x)	0.7	1.0	1.4	1.7	1.9
Interest & ST debt coverage (x)	0.2	0.2	0.3	0.3	0.3
Cash flow interest coverage (x)	0.1	0.1	0.1	0.1	0.1
Current ratio (x)	0.7	0.6	0.7	0.8	0.8
Quick ratio (x)	0.4	0.3	0.4	0.4	0.5
Net debt (THB m)	375,458	360,292	334,516	313,729	290,773
Activity					
Asset turnover (X)	0.9	0.9	1.0	1.0	1.0
Days receivables	1.6	1.2	1.2	1.3	0.0
Days inventory	30.6	28.7	29.4	30.1	0.0
Days payable	62.7	54.6	55.7	56.8	0.0
Cash cycle days	(30.5)	(24.7)	(25.1)	(25.4)	0.0

Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Revenue from sales and services	829,099	895,281	960,903	1,009,546	1,053,923
Cost of goods sold	-614,555	-662,428	-744,453	-780,207	-811,641
Gross profit	214,543	232,853	216,450	229,340	242,282
Operating expenses	-165,414	-179,912	-157,347	-170,070	-182,420
Operating profit	49,129	52,942	59,103	59,270	59,861
EBIT	12,585	16,359	22,521	24,517	26,846
Depreciation	-36,544	-36,582	-36,582	-34,753	-33,015
EBITDA	49,129	52,942	59,103	59,270	59,861
Non-operating income	23,506	25,560	27,874	28,741	30,159
Other incomes	23,223	25,093	27,271	28,362	29,780
Other non-op income	283	468	603	379	379
Non-operating expense	-16,841	-16,212	-15,416	-14,705	-13,893
Interest expense	-16,832	-16,558	-15,544	-14,705	-13,893
Other non-op expense	-9	346	128	0	0
Equity income/(loss)	831	746	771	771	772
Pre-tax Profit	20,082	26,544	35,749	39,324	43,883
Extraordinary items					
Current taxation	-3,861	-4,602	-6,220	-6,685	-7,460
Minorities	-2,949	-3,370	-3,892	-4,089	-4,268
Net Profit	13,272	18,482	25,637	28,550	32,155
Core net profit	13,272	18,482	25,637	28,550	32,155
EPS (THB)	1.48	2.06	2.85	3.18	3.58
Core EPS (THB)	1.48	2.06	2.85	3.18	3.58

Cash flow (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Operating cash flow	42,842	50,258	53,029	48,702	48,770
Net profit	13,272	18,482	25,637	28,550	32,155
Depre. & amortization	36,544	36,582	36,582	34,753	33,015
Change in working capital	7,439	10,951	9,378	4,594	4,020
Others	-14,412	-15,757	-18,568	-19,195	-20,421
Investment cash flow	-61,756	-56,767	-28,553	7,534	10,671
Net CAPEX	-38,421	-36,964	-420	-400	-409
Change in LT investment	6,144	15,061	34,759	33,606	37,231
Change in other assets	-29,479	-34,864	-62,892	-25,673	-26,151
Free cash flow	-18,914	-6,508	24,476	56,235	59,440
Financing cash flow	-2,010	2,318	1,300	-35,448	-36,484
Change in share capital	-0	0	0	0	0
Net change in debt	904	1,023	3,892	4,089	4,268
Dividend paid	-6,737	-8,983	-8,983	-12,819	-14,275
Others	3,823	10,279	6,391	-26,717	-26,478
Net cash flow	-20,924	-4,190	25,776	20,788	22,956
Per share (THB)					
EPS	1.48	2.06	2.85	3.18	3.58
Core EPS	1.48	2.06	2.85	3.18	3.58
CFPS	5.87	6.50	7.36	7.50	7.73
BVPS	11.21	12.36	14.21	15.96	17.95
Sales/share	92.30	99.66	106.97	112.38	117.32
EBITDA/share	5.47	5.89	6.58	6.60	6.66
DPS	0.75	1.00	1.43	1.59	1.79
Valuation					
P/E (x)	46.2	27.2	21.8	19.6	17.4
P/BV (x)	6.09	4.53	4.38	3.90	3.47
Dividend yield (%)	1.10	1.79	2.29	2.55	2.88
Dividend payout ratio (%)	50.76	48.60	50.00	50.00	50.00

GENERAL DISCLAIMER

Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.