CP Axtra (CPAXT TB)

Acquisition Of The Food Purveyor

Highlights

- The acquisition of The Food Purveyor was completed on 1 Sep 26. We are neutral on the deal, which will lift 2027 earnings by only 1-2%. Balance sheet impact should be limited, with net IBD/E remaining at 0.4x.
- The Happitat stands out with its unique place of happiness concept, but its challenge is the lack of tenants capable of generating traffic.
- Maintain HOLD with a target price of Bt14.50. 3Q26 earnings are expected to decline yoy, before recovering in 4Q26 on a low base last year.

Analysis

- **The acquisition of The Food Purveyor was completed on 1 Sep 26.** CP Axtra (CPAXT) announced the 100% acquisition of The Food Purveyor (TFP) through Lotus Stores (Malaysia) was completed on 1 Sep 26.
  - **Nature of business.** TFP operates premium supermarkets in Malaysia under Village Grocer, B.I.G., BSC Fine Foods, OTK and The Food Merchant, with over 50 stores and around 30% market share.
  - **Narrative.** The acquisition allows CPAXT to enter the premium supermarket segment, which is growing at about 10% CAGR versus around 4% for overall retail, while leveraging TFP's expertise and stronger sales growth to enhance CPAXT's existing businesses.
  - **Transaction value.** CPAXT acquired 100% of TFP for Rm1,597m (Bt13.1b), funded externally, including 80% through Malaysian bank loans.
  - **No material financial impact.** CPAXT will consolidate TFP since 1 Sep 26, but we expect transaction-related expenses and interest costs to result in a net loss contribution in 3Q26. Management expects the deal to become net accretive from 2027, supported by TFP's revenue growth above the about 10% market rate which will contribute 4% to CPAXT's retail revenue, a higher gross margin than Lotus's Malaysia and higher EBIT margin than CPAXT's existing retail business. However, assuming a 4.5% financing cost, we estimate the deal will lift 2027 earnings by only 1-2%. Balance sheet impact should be limited, with assets increasing by around Bt4b and net IBD/E remaining at around 0.4x. Overall, we view the deal as neutral and remain in a wait-and-see stance, with future upside dependent on the realisation of sales, margin and operational synergies.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	512,041.9	520,706.4	538,562.7	547,905.2	557,365.9
EBITDA	36,253.5	34,252.4	35,083.2	36,865.0	38,675.5
Operating profit	18,633.2	16,788.2	16,574.6	16,814.9	17,058.5
Net profit (rep./act.)	10,569.1	9,356.5	9,568.9	9,741.4	9,916.6
Net profit (adj.)	10,569.1	9,356.5	9,568.9	9,741.4	9,916.6
EPS	1.0	0.9	0.9	0.9	1.0
PE (x)	14.8	16.7	16.4	16.1	15.8
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	8.0	9.3	9.0	8.6	8.2
Dividend yield (%)	4.7	4.7	4.7	4.8	4.9
Net margin (%)	2.1	1.8	1.8	1.8	1.8
Net debt/(cash) to equity(%)	44.1	52.6	51.3	52.1	51.2
Interest cover (x)	6.3	6.4	6.7	7.0	7.3
Consensus net profit	n.a	n.a	9,558.3	10,317.9	11,264.4
UOBKH/Consensus (x)	n.a	n.a	1.0	0.9	0.9

Source: CP Axtra, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	Bt14.60
Target Price	Bt14.50
Upside	-0.68%

Stock Data

Sector	Consumer Staples
Bloomberg ticker	CPAXT TB
Shares issued (m)	10,427.7
Market cap (Btm)	152,243.9
Market cap (US$m)	4,615.7
3-mth avg daily t'over (US$m)	3.9

Price Performance (%)

52-week high/low				Bt23.0/Bt14.0
1mth	3mth	6mth	1yr	YTD
(2.0)	(4.0)	(10.4)	(24.7)	(7.0)

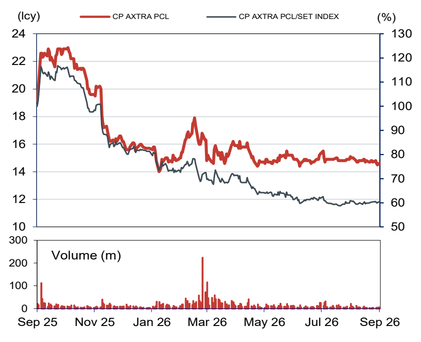
Major Shareholders (%)

CP All	34.92
Makro	25.01
Charoenpokphand Holding	15.96

Balance Sheet Metrics

FY26 NAV/Share (Bt)	29.0
FY26 Net Debt/Share (Bt)	14.9

Price Chart

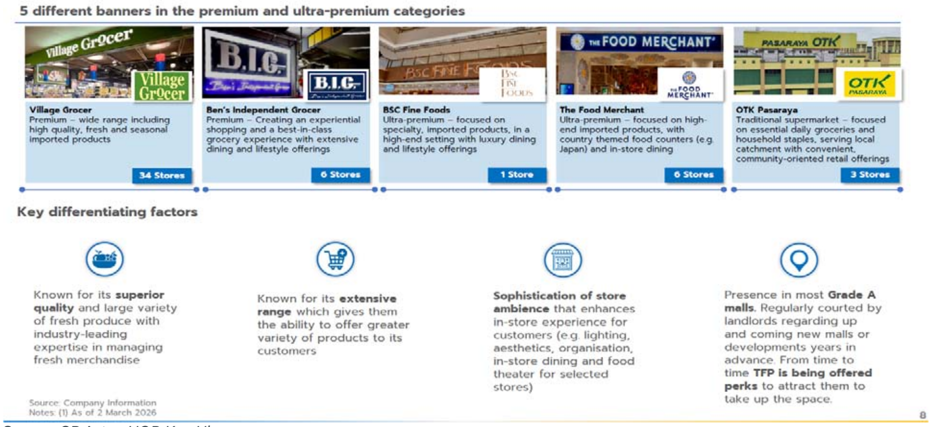


Source: Bloomberg

Company Description

Wholesale business under the brand name "Makro" and retail business under the brand name "Lotus's" and mall management.

The Food Purveyor Store Format



Source: CP Axtra, UOB Kay Hian

- **Update from The Happitat site visit.** We joined a site visit to The Happitat, a newly launched mall project. Current occupancy is around 50%, with committed occupancy above 70%. Most tenants remain temporary tenants willing to pay premium rents to test the market. Based on our discussions with tenants during the initial opening period, feedback from families and tourists has been positive. The Happitat differentiates itself from conventional shopping malls by positioning itself as a "place of happiness," with distinctive architecture and design. However, the key challenge is the lack of tenants capable of generating sufficient traffic, which is critical to the shopping mall business. We remain in a wait-and-see stance on the project's development. While converting committed tenants into actual tenants as targeted would be positive, the recovery will take time. Management maintains its 2026 loss guidance for The Happitat at Bt500m (1H26: Bt100m, 3Q26: Bt200m, 4Q26: Bt200m) and we expect The Happitat to continue posting losses in 2027.
- **Sluggish outlook in 3Q26 but expected to recover thereafter.** Management guides that qtd SSSG should remain broadly similar to 2Q26, which we estimate at -4-5% for retail and +0.5% for wholesale. Together with the costs of acquiring TFP and losses from The Happitat, we preliminarily expect 3Q26 earnings to decline yoy, before recovering in 4Q26 on a very low base last year and improving modern trade spending after the Thai Help Thai Plus copayment scheme ends.

Valuation/Recommendation

- **Maintain HOLD with a target price of Bt14.50,** based on a 12-month forward PE of 15x, equivalent to -1.5SD to peers' five-year average PE and -2SD to BJC's five-year average PE. The current share price offers no upside to our target price.

Earnings Revision/Risk

- **No earnings revision.** We have not yet incorporated the impact from TFP acquisition which will provide 1% downside in 2026 and 1-2% upside in 2027.

Environment, Social, Governance (ESG) Updates

CG Report: 5, SET ESG Rating: AA*

Environmental

- Focuses on reducing energy consumption through green building design and renewable energy adoption.

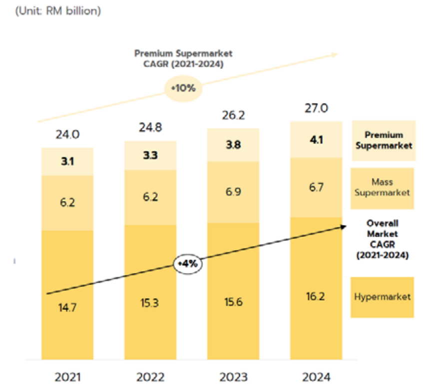
Social

- Supports SME development in its wholesale/retail ecosystem.

Governance

- Demonstrates strong corporate governance through transparent management practices and a well-structured board.

Market Size Of Malaysia Hypermarket and Supermarket

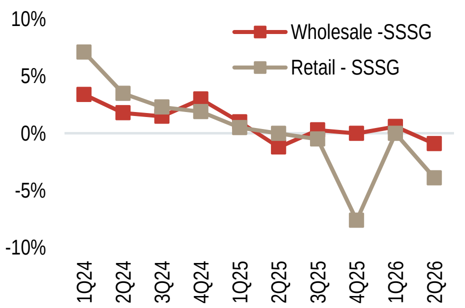


Source: EY-Parthenon, IGD, CP Axtra

The Happitat

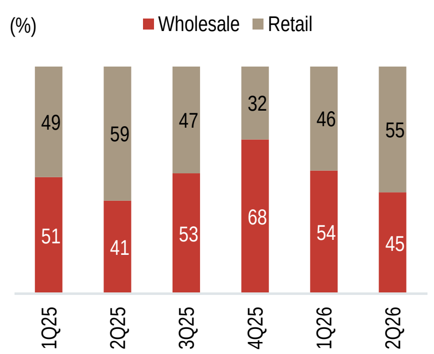
Source: CP Axtra

Same-store Sales Growth



Source: CP Axtra, UOB Kay Hian

EBIT Contribution



Source: CP Axtra, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	**520,706**	**538,563**	**547,905**	**557,366**
EBITDA	34,252	35,083	36,865	38,676
Deprec. & amort.	17,464	18,509	20,050	21,617
EBIT	16,788	16,575	16,815	17,058
Total other non-operating income	0	0	0	0
Associate contributions	580	754	762	769
Net interest income/(expense)	(5,398)	(5,248)	(5,279)	(5,309)
Pre-tax profit	**11,970**	**12,081**	**12,298**	**12,519**
Tax	(2,645)	(2,662)	(2,711)	(2,761)
Minorities	31	150	154	159
Net profit	**9,356**	**9,569**	**9,741**	**9,917**
Net profit (adj.)	9,356	9,569	9,741	9,917

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	469,827	476,587	482,037	486,151
Other LT assets	32,469	33,262	34,074	34,903
Cash/ST investment	14,558	16,987	14,488	16,976
Other current assets	59,817	49,758	53,114	51,669
Total assets	**576,671**	**576,594**	**583,712**	**589,698**
ST debt	37,257	37,257	37,257	37,257
Other current liabilities	93,988	91,589	95,173	97,577
LT debt	134,815	134,815	135,815	136,815
Other LT liabilities	10,224	10,530	10,846	11,172
Shareholders' equity	299,457	302,054	304,428	306,844
Minority interest	930	348	193	34
Total liabilities & equity	**576,671**	**576,594**	**583,712**	**589,698**

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	**21,052**	**35,588**	**29,864**	**35,224**
Pre-tax profit	11,970	12,081	12,298	12,519
Tax	(2,645)	(2,662)	(2,711)	(2,761)
Deprec. & amort.	17,464	18,509	20,050	21,617
Working capital changes	(5,648)	7,581	145	3,765
Non-cash items	133	80	82	85
Other operating cashflows	(223)	0	0	0
Investing	**(25,786)**	**(25,756)**	**(25,995)**	**(26,235)**
Capex (growth)	(37,318)	(25,269)	(25,500)	(25,731)
Investments	(181)	(302)	(305)	(308)
Others	11,714	(185)	(191)	(196)
Financing	**(169)**	**(7,404)**	**(6,368)**	**(6,501)**
Dividend payments	(7,404)	(7,404)	(7,368)	(7,501)
Issue of shares	0	0	0	0
Proceeds from borrowings	21,248	0	1,000	1,000
Others/interest paid	(14,014)	0	0	0
Net cash inflow (outflow)	**(4,903)**	**2,429**	**(2,499)**	**2,488**
Beginning cash & cash equivalent	**19,461**	**14,558**	**16,987**	**14,488**
Ending cash & cash equivalent	**14,558**	**16,987**	**14,488**	**16,976**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	6.6	6.5	6.7	6.9
Pre-tax margin	2.3	2.2	2.2	2.2
Net margin	1.8	1.8	1.8	1.8
Growth				
Net profit (adj.)	(11.5)	2.3	1.8	1.8
Leverage				
Debt to total capital	57.3	56.9	56.8	56.7
Debt to equity	57.5	57.0	56.8	56.7
Net debt/(cash) to equity	52.6	51.3	52.1	51.2
Interest cover	6.4	6.7	7.0	7.3