

# Commerce

SET COMM index Close: 10/4/2024 31,264.08 +223.22 / +0.72% Bt6,378mn  
 Bloomberg ticker: SETCOMM



## Digital wallet a nice bonus

The basic details for the digital wallet released after the National Digital Wallet Policy Committee meeting on April 10 shows an unchanged target group - 50mn Thai citizens (specifying age, income and deposits) will receive a handout of Bt10,000 for a total of Bt500bn. However, spending conditions are revised: purchase are limited to small retailers, including convenience stores, within the district for the initial round of transactions (between wallet holder and retailer); after this, there will be a second round with no geographical or retailer restrictions (between retailers). This measure gives earnings upside for sector, notably for staples, from 4Q24F onwards, especially for CPALL, CPAXT, and BJC.

**More digital wallet details released.** The National Digital Wallet Policy Committee met on April 10. It has confirmed the target group for the digital wallet handout: Thai citizens aged 16 and above who earn annual income of no more than Bt840,000 (Bt70,000/month) and have no more than Bt500,000 in their bank accounts. An estimated 50mn are eligible. The digital wallet, which will cost -Bt500bn, will be funded by the FY2024-25 budget plus the FY2025 budget for the BAAC (Bank for Agriculture and Agricultural Cooperatives). This handout is estimated to provide a boost of 1.2-1.6% to Thai GDP. Both citizens and businesses must register and verify their identity in 3Q24, with the funds directly distributed to those who are qualified in 4Q24. This measure will be proposed to Cabinet in April.

**Digital wallet spending conditions.** The first round of transactions will take place within six months from the beginning of the measure and are limited to the wallet holder and small retailers in their district of registration (878 districts). This applies only to small retail shops under the tax system, including convenience stores specified by the Ministry of Commerce, such as 7-Eleven stores and stand-alone convenience stores within gas stations; it excludes supermarkets, department stores and large retail stores. The second round is to be retailer-retailer, without geographical or size restrictions. Retailers cannot immediately withdraw cash after transactions; cash withdrawals will begin only in the second round. All types of products can be purchased, except for sin goods, fuel, services and online items.

**Upside for the sector, notably for staples, from 4Q24F onwards.** We expect those selling staples in small stores (saleable area below 200 sq.m./store) to benefit directly with some sales contribution from traditional trade. This will be led by CPALL (56% consolidated sales from its convenience stores, which cover all of Thailand's districts, and CPAXT's contribution from food retailers and distributors in B2B and small B2C stores), followed by CPAXT (24% consolidated sales from food retailers and distributors in B2B and small stores in the B2C unit) and BJC (20% consolidated sales from BigC's small stores, B2B and "Donjai" - stores owned by traditional retailers who purchase their stock from BigC). We also expect indirect benefit to all sector players from better purchasing power and brighter sentiment. With sales and earnings upside led by staples from 4Q24F, CPALL, CPAXT, and BJC are our picks on this measure.

**Key risks** are changes in purchasing power and government policies. Key ESG risks are energy management, sustainable products (E) and labor/employment practices (S).

### Estimated retail & wholesale sales exposure on staples linked to Digital Wallet

		% Consolidated sales	Estimated % sales exposure to digital wallet	Note
<b>CPALL</b>	CVS	44%	100%	Sales from convenience stores
	CPAXT	50%	24%	B2B sales from food retailers & distributors, B2C sales from small stores
	Others	6%		
	<b>Total</b>		<b>56%</b>	
<b>CPAXT</b>	B2B	55%	30%	23% sales from food retailers and 7% from distributors
	B2C	45%	16%	Above 20% retail sales in Thailand from small stores
	<b>Total</b>		<b>24%</b>	
<b>BJC</b>	BigC	65%	30%	23% sales from small stores, 5% from B2B, 2% from Donjai
	Non-BigC	35%		
	<b>Total</b>		<b>20%</b>	

Source: InnovestX Research

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 24F	P/E (x) 25F	P/BV (x) 24F	P/BV (x) 25F
BJC	Outperform	25.8	29.0	15.7	19.7	18.3	0.8	0.8
CPALL	Outperform	57.3	75.0	33.1	24.6	20.8	4.2	3.7
CPAXT	Outperform	32.0	39.0	23.4	32.9	27.6	1.1	1.1
CRC	Outperform	36.8	44.0	21.4	24.3	21.0	2.9	2.7
GLOBAL	Outperform	16.9	18.5	10.7	29.2	25.1	3.5	3.2
HMPRO	Outperform	10.9	13.5	27.6	20.8	19.1	5.3	4.9
<b>Average</b>					<b>25.222.0</b>	<b>3.0</b>	<b>2.7</b>	

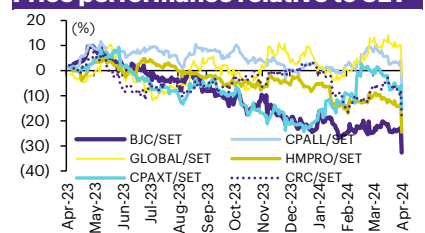
Source: InnovestX Research

### Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BJC	3.0	(1.9)	(32.7)	1.0	(1.9)	(23.6)
CPALL	0.9	5.5	(7.7)	(1.1)	5.5	4.7
CPAXT	(4.5)	14.3	(18.5)	(6.4)	14.3	(7.5)
CRC	2.8	(5.2)	(18.8)	0.8	(5.2)	(7.9)
GLOBAL	1.8	11.3	(1.8)	(0.2)	11.3	11.4
HMPRO	(2.7)	(7.6)	(23.8)	(4.6)	(7.6)	(13.5)

Source: SET, InnovestX Research

### Price performance relative to SET



Source: SET, InnovestX Research

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**Figure 1: Examples of government measures in Thailand: Modern trade retailers cannot participate in Khon La Khrueng, but they can participate in Ying Chai Ying Dai, shopping tax break, and Digital Wallet**

Measures	Details	Effective period	Budget approved (Bt mn)	Modern trade participation
Khon La Khrueng Phase 1	Co-pay scheme in which 10mn people got daily discounts on their shopping, capped at Bt3,000	Oct-Dec 2020	30,000	Not allowed
Khon La Khrueng Phase 2	Expansion of the co-payment scheme to cover 15mn people and increase the cap on subsidy per person throughout the period to Bt3,500 from Bt3,000	Jan-Mar 2021	22,500	Not allowed
Khon La Khrueng Phase 3	A co-payment scheme to cover 29mn people for a half subsidy for purchase at eligible stores, with a maximum spending of Bt150/person/day or Bt4500/person during the program	Jul-Dec 2021	126,000	Not allowed
Ying Chai Ying Dai	An e-voucher of up to Bt7,000/person (used from Aug-Dec 2021) for a refund of 10-15% on purchases of products and services of up to Bt60,000/person (capped at Bt5,000/day) during Jul-Sep 2021	Jul-Dec 2021	10,000	Allowed
Khon La Khrueng Phase 4	Co-payment scheme covering 29mn people, capping subsidy per person throughout the period to Bt1,200	Feb-Apr 2022	34,800	Not allowed
Khon La Khrueng Phase 5	A co-payment scheme to cover 26.5mn people for a half subsidy for purchase at eligible stores, with a maximum spending of Bt150/person/day or Bt800/person during the program	Sep-Oct 2022	21,200	Not allowed
Digital Wallet (tentative)	Digital wallet scheme, under which all Thais who are 16 or older, who have an annual income of less than Bt840,000 and bank deposits not exceeding 4Q24F Bt500,000, will be eligible for the Bt10,000 cash benefit which will be transferred into the pockets of 50mn Thais. Spending conditions are below. <ul style="list-style-type: none"> <li>The first round of transactions will take place between citizens and small-sized retailers within district areas, only to small retail shops under the tax system, including convenience stores, but excluding supermarkets, department stores and large retail stores.</li> <li>The second round of transactions will take place between retailers without specific geographical restrictions and retailers' size. Retailers cannot immediately withdraw cash after citizens' transactions; withdrawals are possible starting from the second round.</li> </ul>	Starting in	500,000	Allowed

Year (Approved period)	Shopping tax break measures	Effective period	Modern trade participation
2015	Tax deduction up to Bt15,000 for purchases	Dec 25-31, 2015 (7 days)	Allowed
2016	Tax deduction up to Bt15,000 for purchases	Dec 14-31, 2016 (18 days)	Allowed
2017	Tax deduction up to Bt15,000 for purchases	Nov 11-Dec 3, 2017 (23 days)	Allowed
2018	Tax deduction up to Bt15,000 for purchases, specifically auto tires, books and OTOP products	Dec 15, 2018 to Jan 16, 2019 (33 days)	Allowed
2020	Tax deduction up to Bt30,000 for purchases	Oct 23-Dec 31, 2020 (70 days)	Allowed
2021	Tax deduction up to Bt30,000 for purchases	Jan 1-Feb 15, 2022 (46 days)	Allowed
2022	Tax deduction up to Bt40,000 for purchases	Jan 1-Feb 15, 2023 (46 days)	Allowed
2023	Tax deduction up to Bt50,000 for purchases	Jan 1-Feb 15, 2024 (46 days)	Allowed

Source: Local newspapers and InnovestX Research

**Figure 2: Valuation summary (price as of Apr 10, 2024)**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F
BJC	Outperform	25.75	29.0	15.7	21.4	19.7	18.3	(2)	8	8	0.8	0.8	0.8	4	4	4	3.1	3.0	3.3	12.7	11.9	11.1
CPALL	Outperform	57.25	75.0	33.1	28.9	24.6	20.8	41	18	18	4.6	4.2	3.7	17	18	19	1.8	2.1	2.4	11.0	10.2	9.3
CPAXT	Outperform	32.00	39.0	23.4	38.6	32.9	27.6	11	17	19	1.2	1.1	1.1	3	3	4	1.8	1.5	1.8	13.4	12.1	11.1
CRC	Outperform	36.75	44.0	21.4	27.8	24.3	21.0	14	14	16	3.2	2.9	2.7	12	12	13	1.5	1.6	1.9	10.7	9.9	9.2
GLOBAL	Outperform	16.90	18.5	10.7	32.8	29.2	25.1	(27)	12	16	3.8	3.5	3.2	12	12	13	1.1	1.2	1.4	21.2	19.2	17.0
HMPRO	Outperform	10.90	13.5	27.6	22.3	20.8	19.1	4	7	9	5.6	5.3	4.9	26	26	27	3.7	3.7	3.7	13.5	12.5	11.5
<b>Average</b>					<b>28.6</b>	<b>25.2</b>	<b>22.0</b>	<b>7</b>	<b>13</b>	<b>14</b>	<b>3.2</b>	<b>3.0</b>	<b>2.7</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>	<b>13.7</b>	<b>12.6</b>	<b>11.6</b>

Source: InnovestX Research

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