



A Defensive Stock with an Aggressive Business Attitude

Bloomberg Ticker: CPALL TB



Top 10 Stock in SET*

- Trading Value: USD 16 Million/ day
- Market Capitalization: USD 9 billion

Market Profile (As of Jan 31, 2012)	
52-week Price Range (THB)/ (USD)	33.25 - 58.50 / 1.1 - 1.9
Trading Volume	8.5 Million Shares/ Day
Dividend Yield	2.1%
Number of Shares Outstanding	4.5 Billion Shares
Foreign Holding/ Limit	31%/49%
Free Float	40%
Price to Earnings	32.8x
Price to Book Value	12.1x
Return on Equity (2011)	40.8%

*SET stands for *Stock Exchange of Thailand*.

Summary &
Overview

Why Buy?

Valuation &
Financials

Risks

Conclusion

Target Price **THB 69.72**
(USD 2.27)

21%

Upside Potential
(as of Jan 31, 2012) (USD 1.90)

Recommendation

BUY



*# 1 convenience food store in Southeast Asia
serving 7 million customers daily*



Country	7-Eleven Daily Customers	Total Population	% of Population Served
Thailand	7 million	67 million	10.4%
USA	6 million	313 million	1.9%

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1 convenience food store in Southeast Asia
serving 7 million customers daily

**7-Eleven Thailand
vs. Global**

*3rd largest in terms
of number of stores*

6,276 Stores (As of Dec 2011)

*Fastest growing
number of stores*

12% CAGR (6 years)

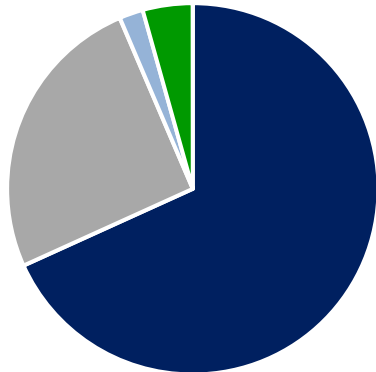
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CPALL Revenue Breakdown

- Food Item 68%
- Non-Food Item 26%
- Service Fee 2%
- Others 4%



To further increase food in the product mix



Objective

To become "the convenience food store of Thais"



Higher gross margin



Differentiation

Defensive Growth Stock

Sustainable Business Model

Confirmative Valuation

Defensive Growth

Sustainable Business Model

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Defensive Growth Stock



Sustainable Business Model

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1

2

CPALL is a **defensive growth** stock with liquidity.



Defensive products

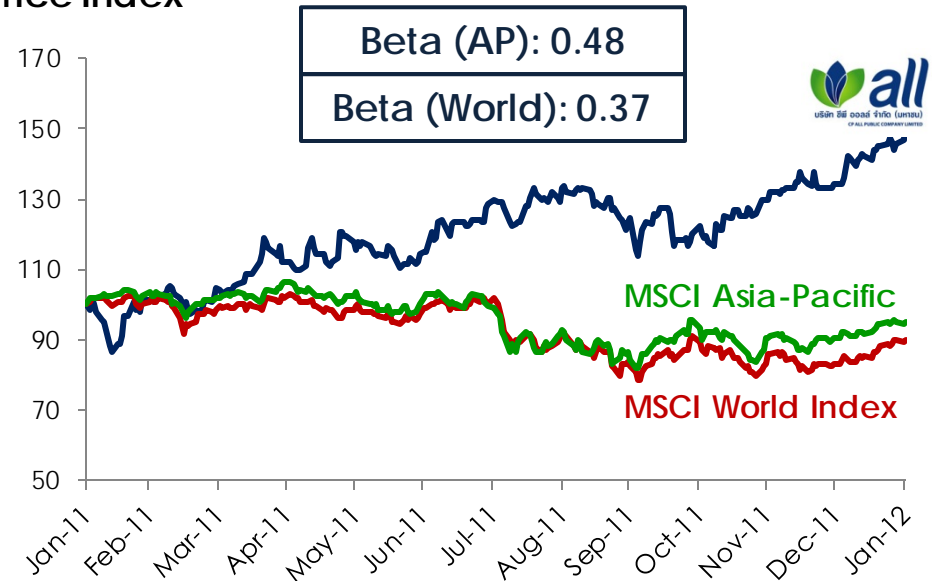
Basic consumer staples

x	y	Correlation
GDP Growth	SSS* Growth	<u>0.17</u>

*SSS stands for Same Stores Sales

Tolerant to Economic Downturn

Price Index



Defensive Growth

Sustainable Business Model

Summary & Overview

Why Buy?

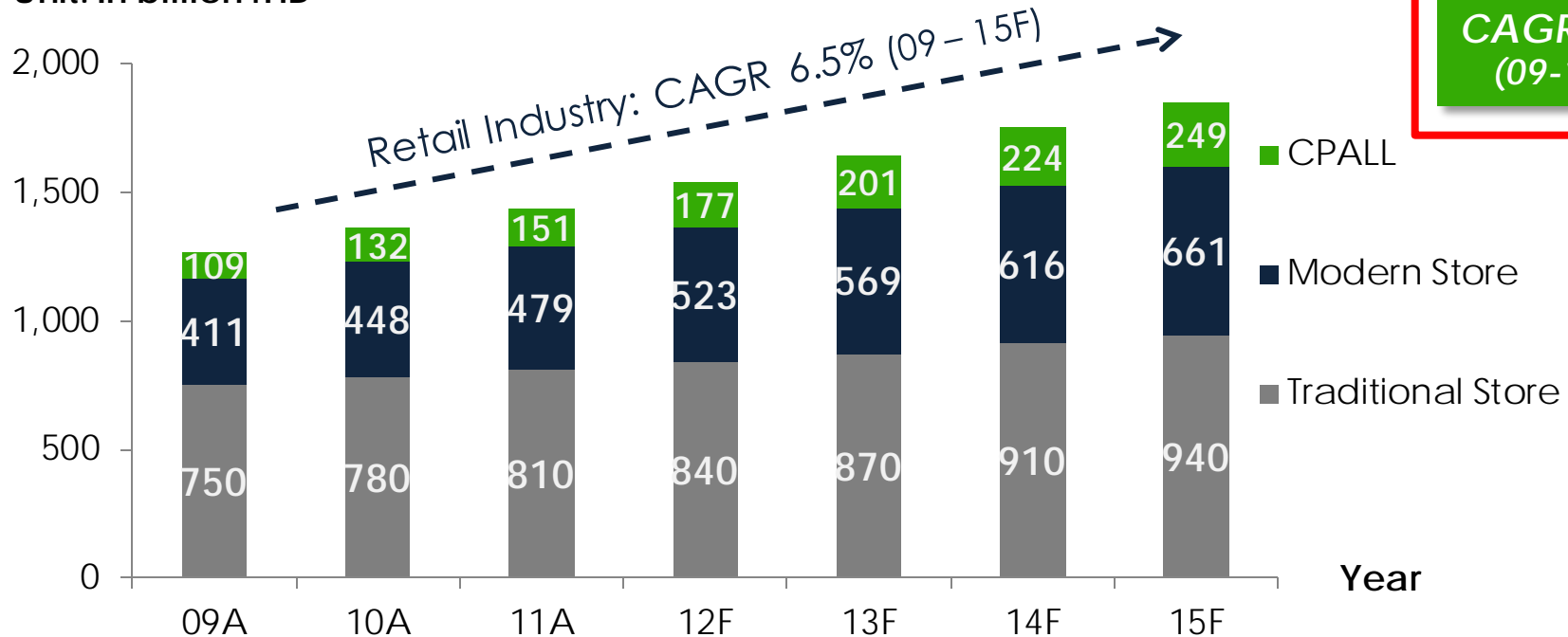
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1
2
CPALL is a **defensive growth** stock with liquidity.

Unit: In billion THB



Source: McKinsey's Report and team's estimates

Defensive Growth

Sustainable Business Model

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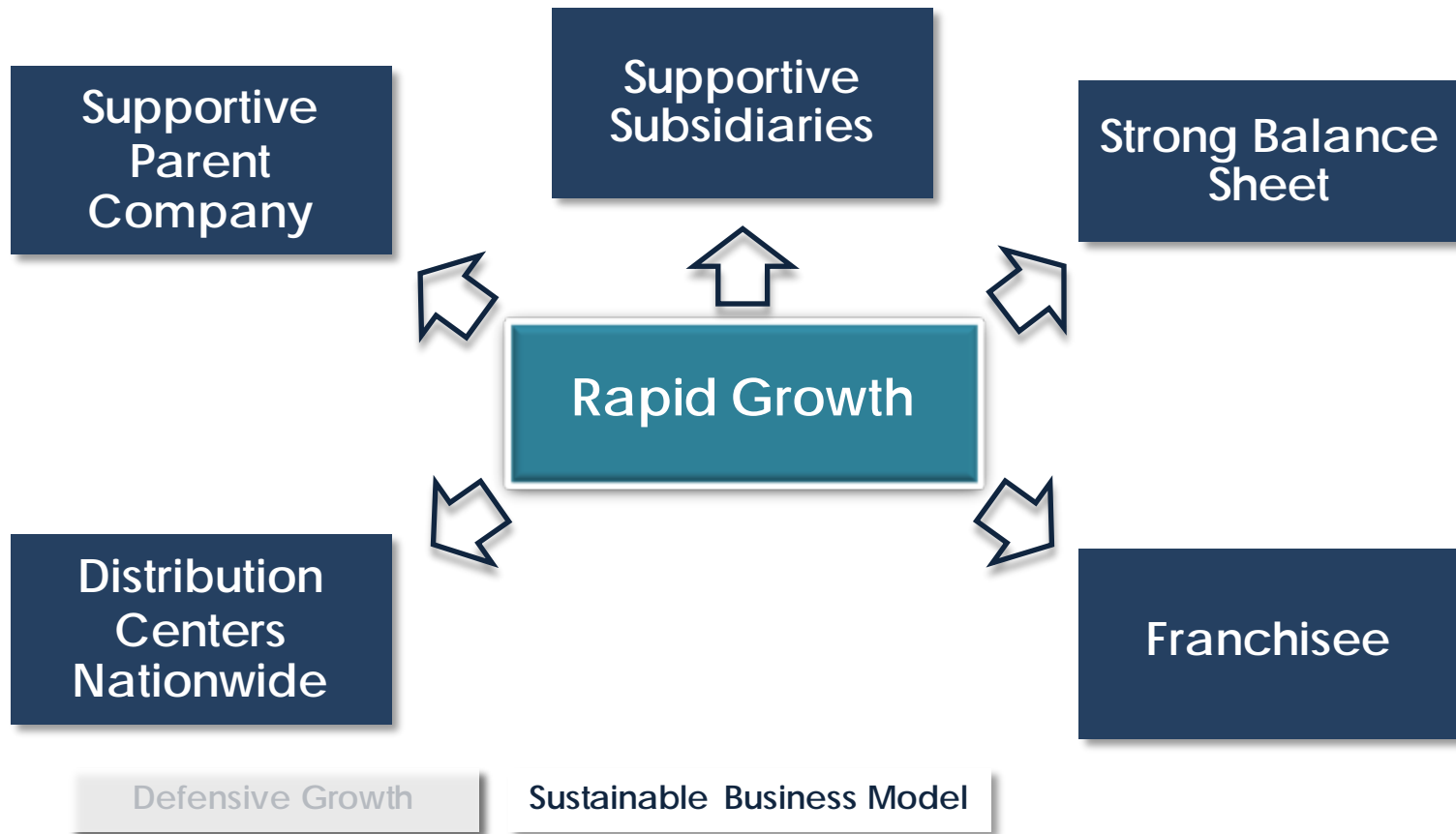
Why Buy?

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CPALL's growth is strongly supported.

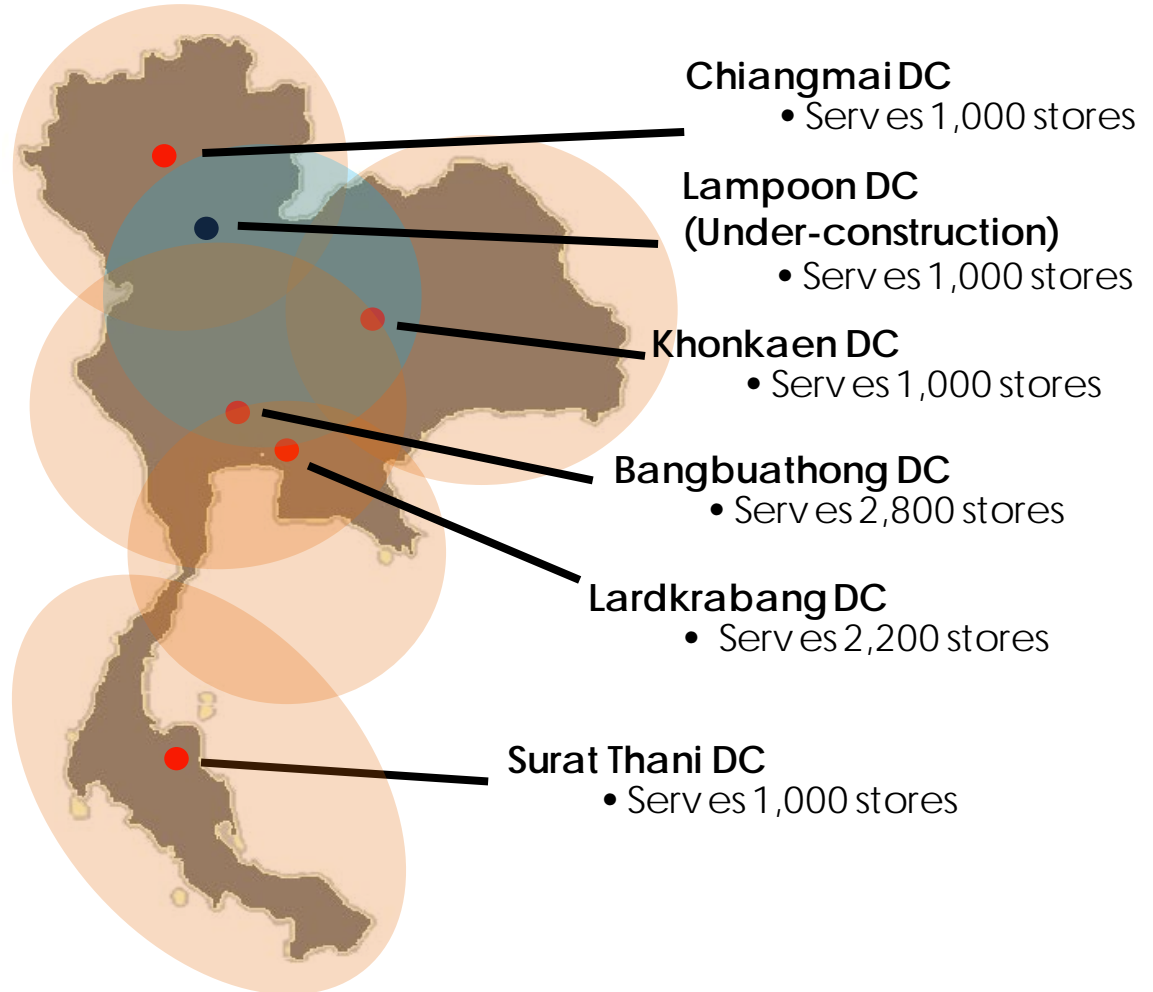


CPALL's

Supportive
Parent
Company

Distribution
Centers
Nationwide

Defensive Growth



Summary &
Overview

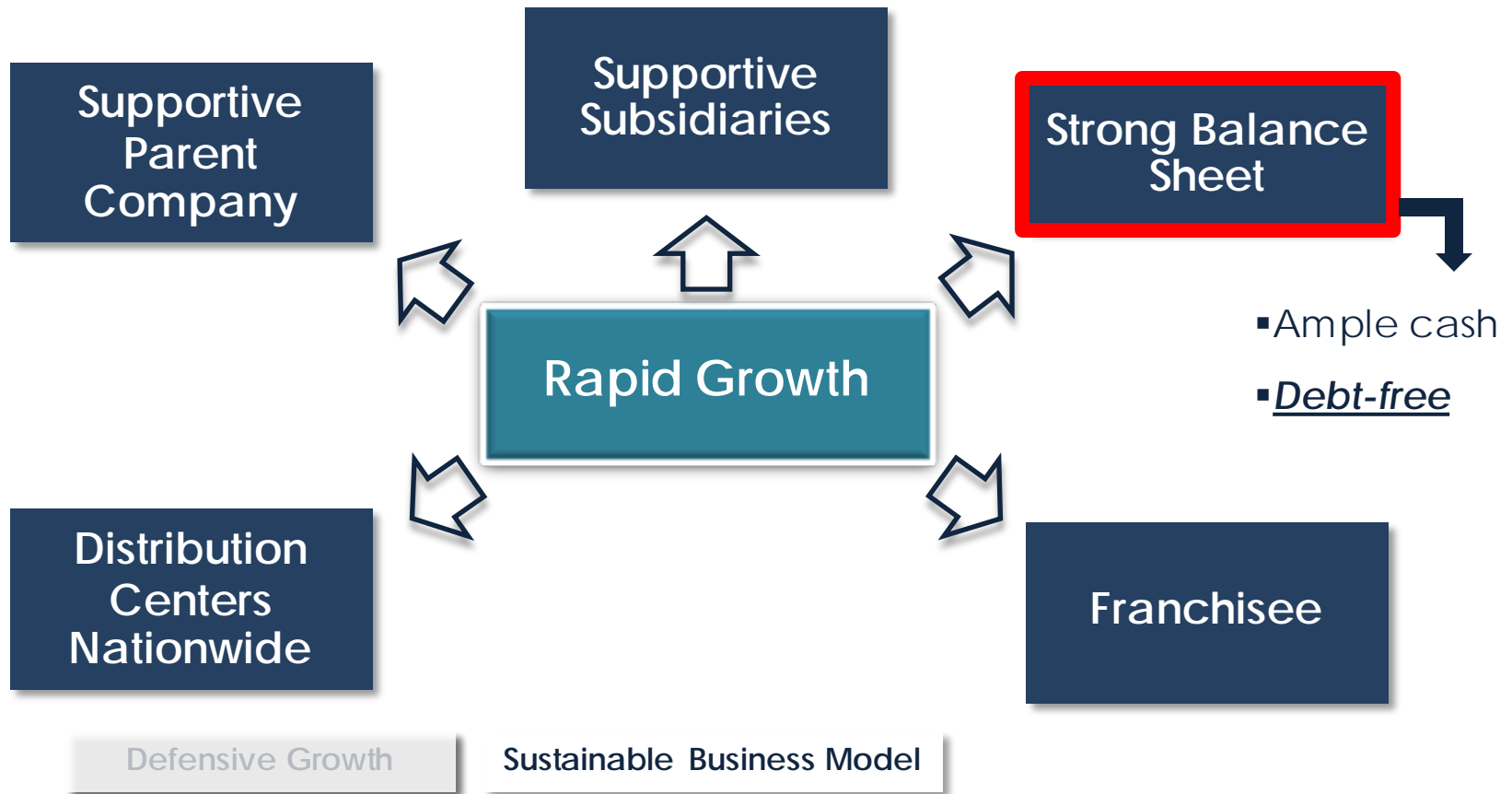
Why Buy?

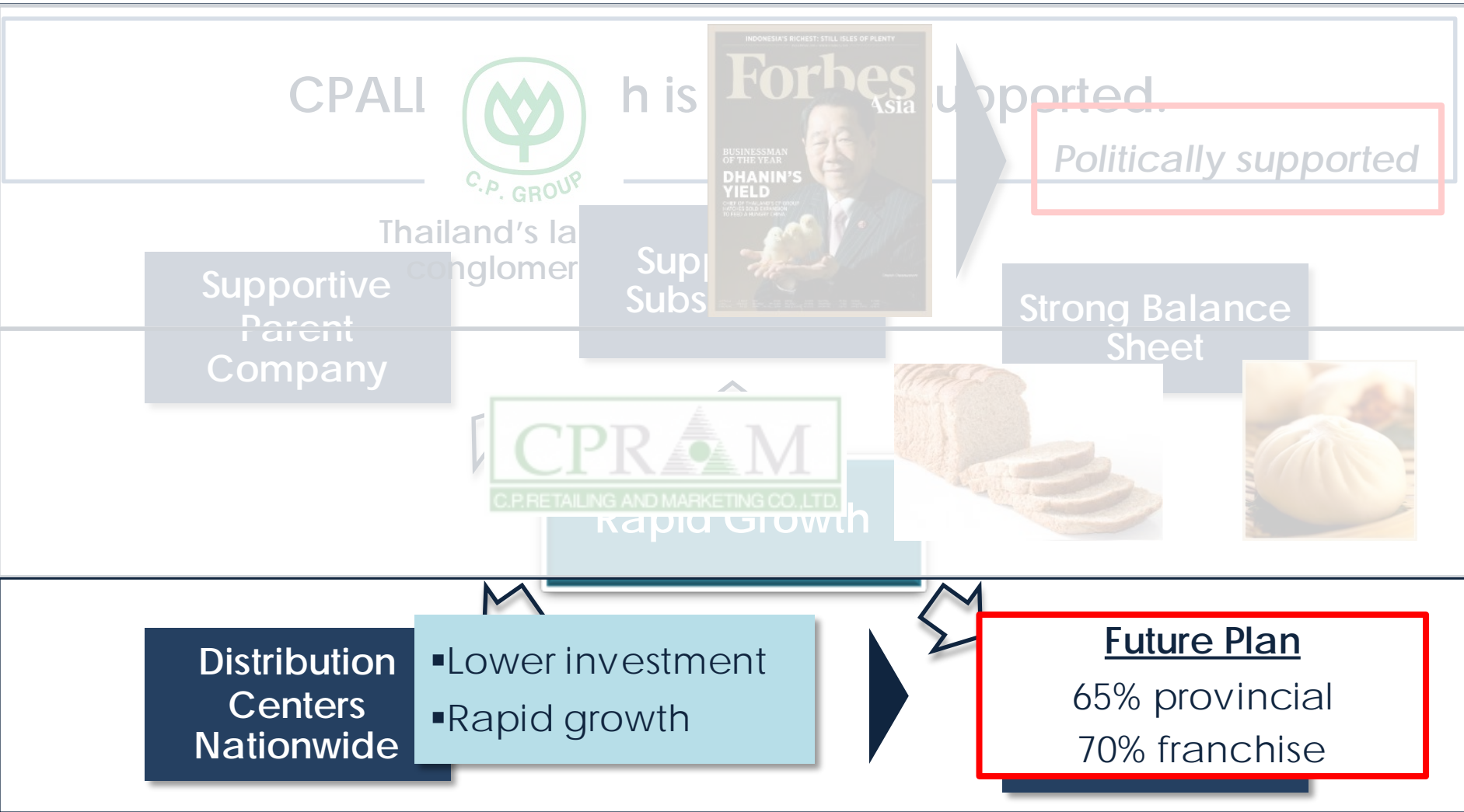
Valuation &
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Defensive Growth

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Comparison Table between CPALL and Local Competitors

Dimension						
Number of Stores	6,206	541	44	661	1,200	700
Franchising System	High	--	--	Med	Low	Low
Financial Resources	High	High	High	Med	Low	Med
Brand Equity	High	High	High	Med	--	--

Defensive Growth

Sustainable Business Model

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Overview

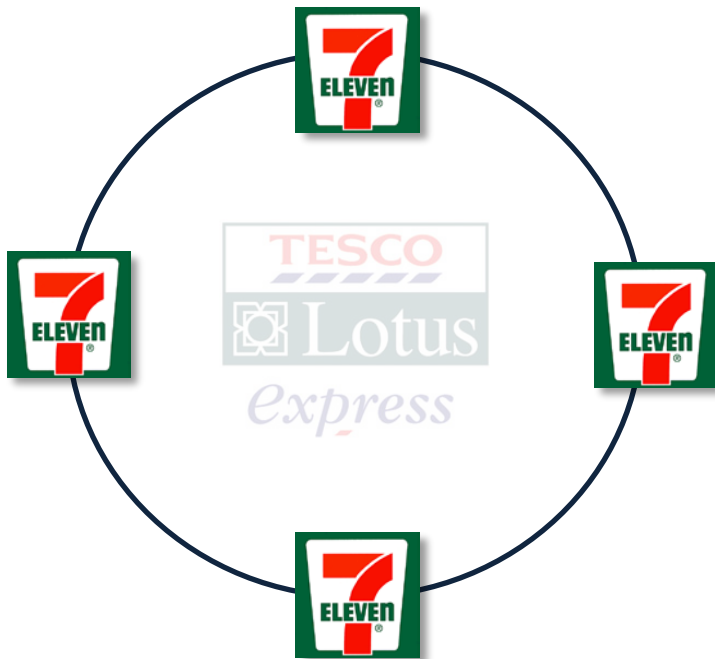
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Encircling competitors to drive them out



Rationale:

- To **retain** or **increase** sales at the expense of franchisees

Defensive Growth

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Value Dimensions	
IRR	30%
Pay Back Period	3.1 years for a 10-year contract
Qualitative Values	<ul style="list-style-type: none"> ▪ Brand equity ▪ Efficient supply chain management ▪ Technical support ▪ Knowledge and entrepreneurial training

Source: Interviews and team's estimates



Defensive Growth

Sustainable Business Model

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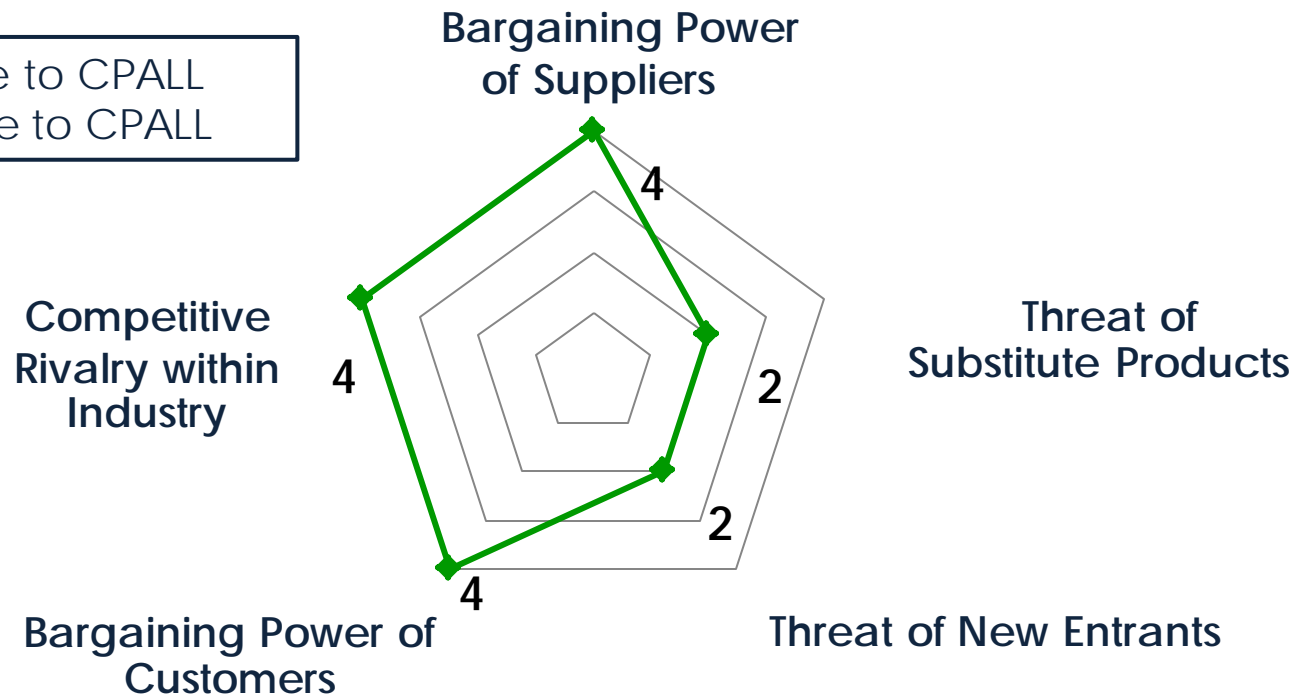
Valuation &
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Five Forces Highlight CPALL's Power in the Market.

4 = Most favorable to CPALL
1 = Least favorable to CPALL



Defensive Growth

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Target Price of CPALL Stock		
	FCFE (Free Cash Flow to Equity)	P/E (Price to Earnings)
	65%	35%
THB 69.72	65% x 71.2	35% x 66.9



Growth opportunities

Market sentiments

Weighted Average

DCF

Multiples

Summary &
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Why Buy?

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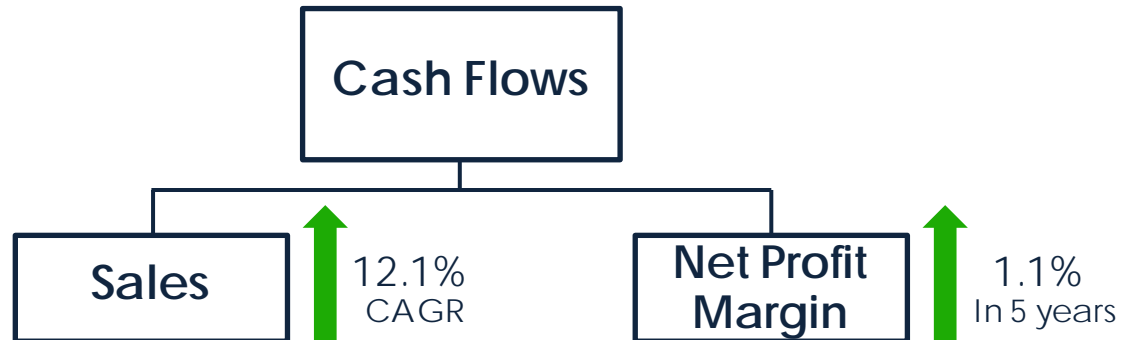
Risks

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DCF Components THB 71.22

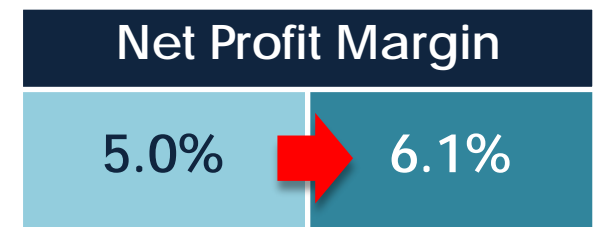
Cash per share	THB 6.71
5-Year Projected Cash Flows	THB 12.40
Terminal Value	THB 52.11

* Cost of Equity = 11.65%



- Store expansion
- Increase in same store sales

- Tax reduction (30% to 20%)
- More food products
- Increase in house brands



Weighted Average

DCF

Multiples

Summary &
Overview

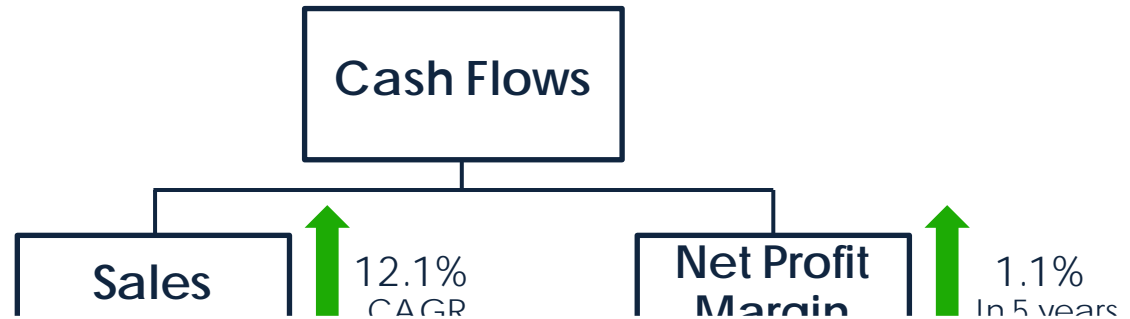
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DCF Components THB 71.22	
Cash per share	THB 6.71
5-Year	



- EPS Growth: 16.4% CAGR ('12 – '16F)
- ROE: 40% ('12 – '16F) (Debt-Free)

Terminal Value	THB 52.11
----------------	-----------

Net Profit Margin	
5.0%	➔ 6.1%

* Cost of Equity = 11.65%

Weighted Average

DCF

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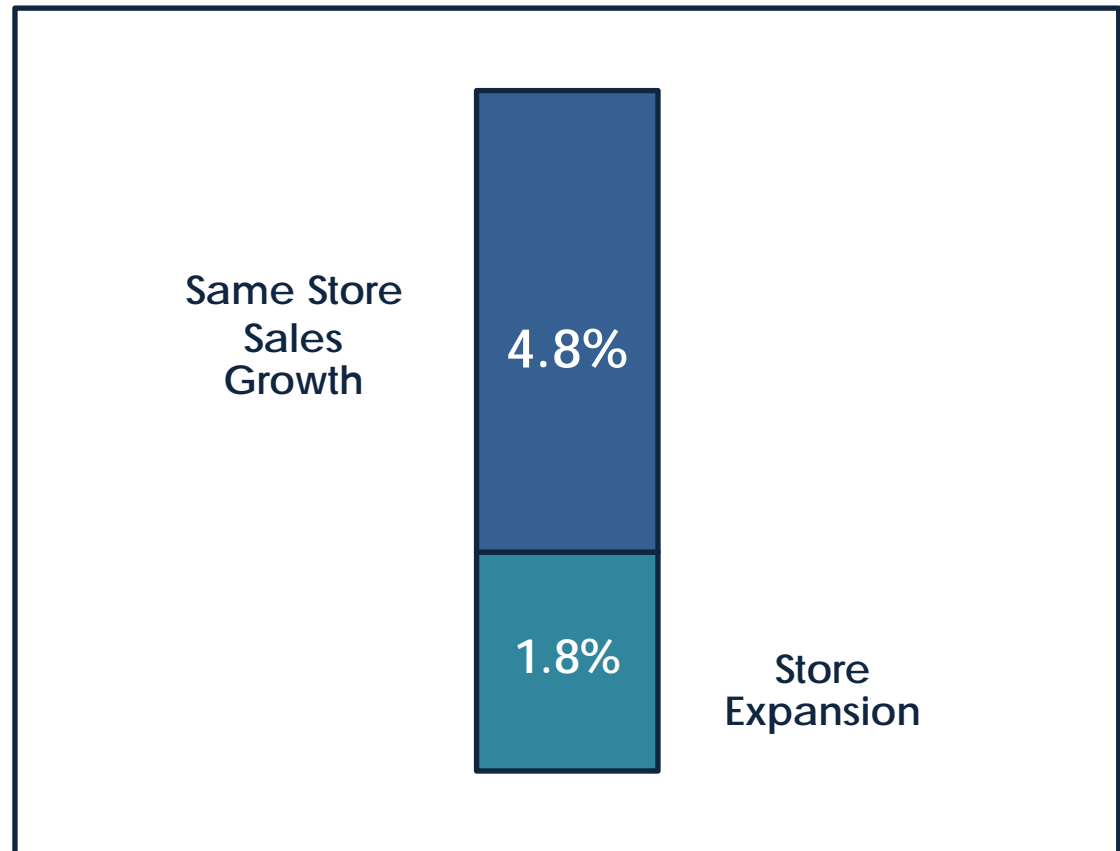
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Terminal Value



Weighted Average

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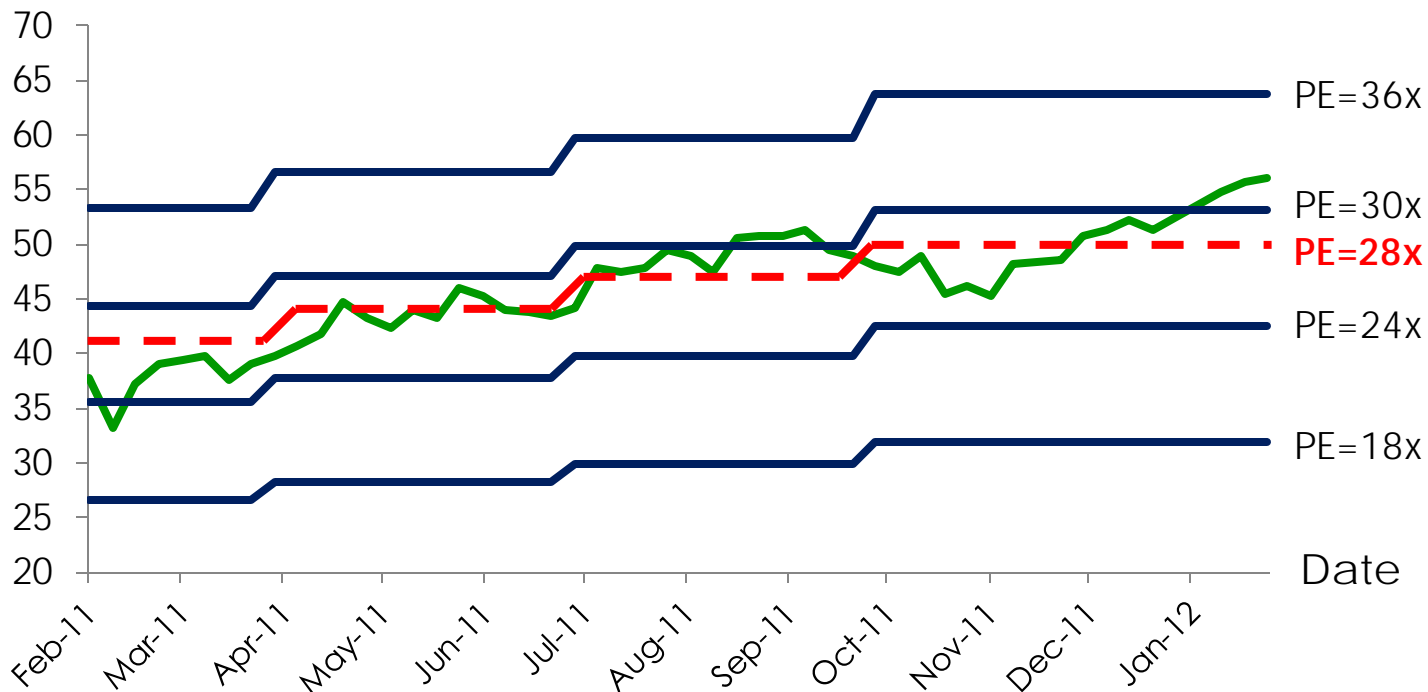
Risks

Conclusion

$$\text{Average P/E Band} \times \text{EPS}_{2012} = \text{Price} \text{ Multiples}$$

$$28 \times \text{THB } 2.39 = \text{THB } 66.92$$

Price(THB)



**Average P/E
Band = 28x**

Weighted Average

DCF

Multiples

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33% earnings growth in 2012
according to Analyst Consensus

2012 Consensus Estimate

Company	Country	Chain	Market Cap (Billion USD)	Current P/BV (x)	Current P/E (x)	EPS Growth (%)	PEG	ROE (%)
CPALL	Thailand	7 - Eleven	9.3	12.2	32.9	33.0	1.00	40.8
DAIRY FARM	Hong Kong	7 - Eleven	14.2	14.4	27.4	17.1	1.60	58.5
MODERN INTERNATIONAL	Indonesia	7 - Eleven	0.2	4.9	41.9	40.3	1.02	12.6
PRESIDENT CHAIN	Taiwan	7 - Eleven	5.7	8.3	26.4	18.5	1.43	31.6
TAIWAN FAMILYMART	Taiwan	Family Mart	1.2	6.7	28.4	26.1	1.08	24.3

Weighted Average

DCF

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Lowest PEG: P/E justified by Growth and NOT overpriced!

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Weighted Average

DCF

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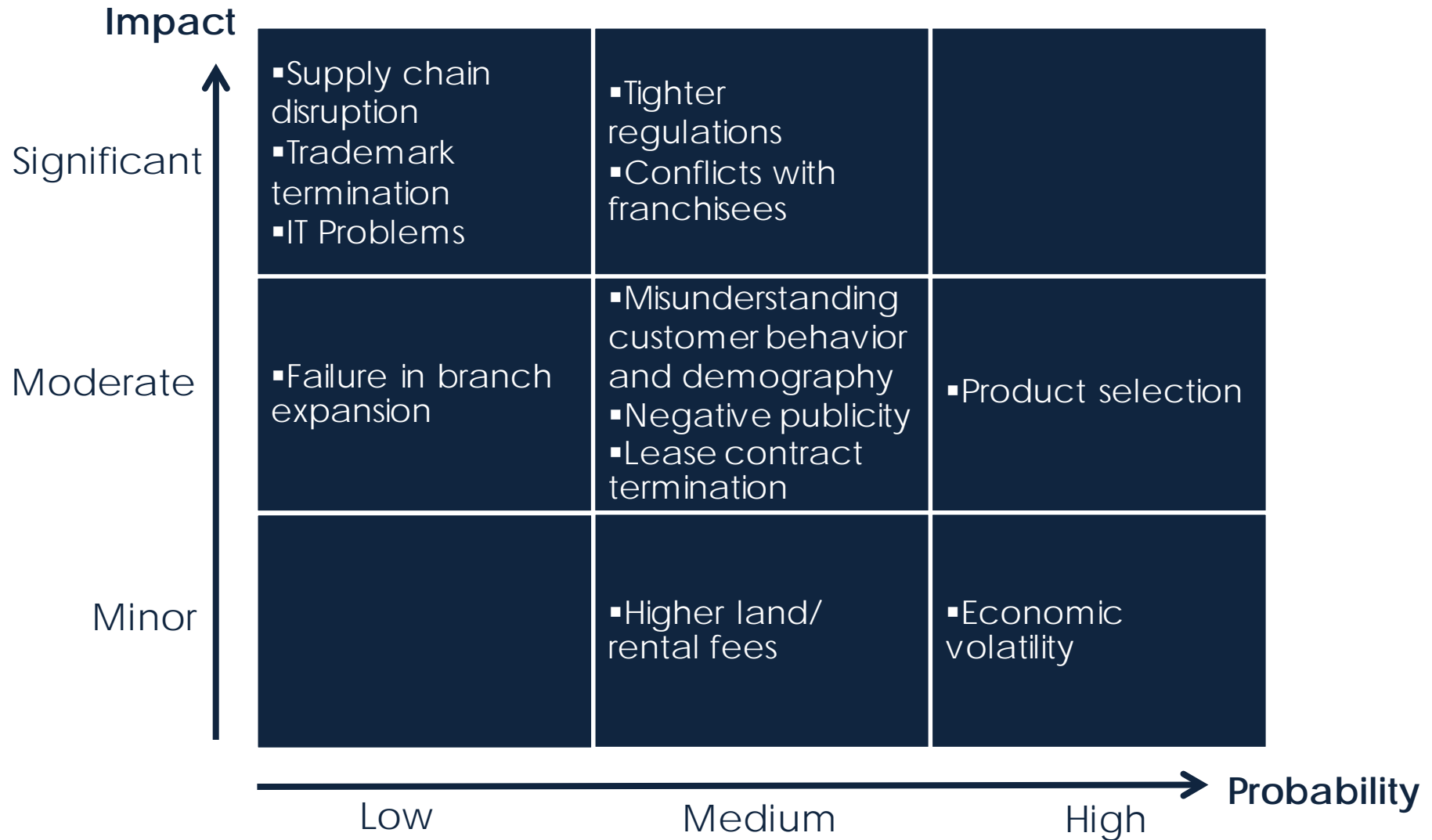
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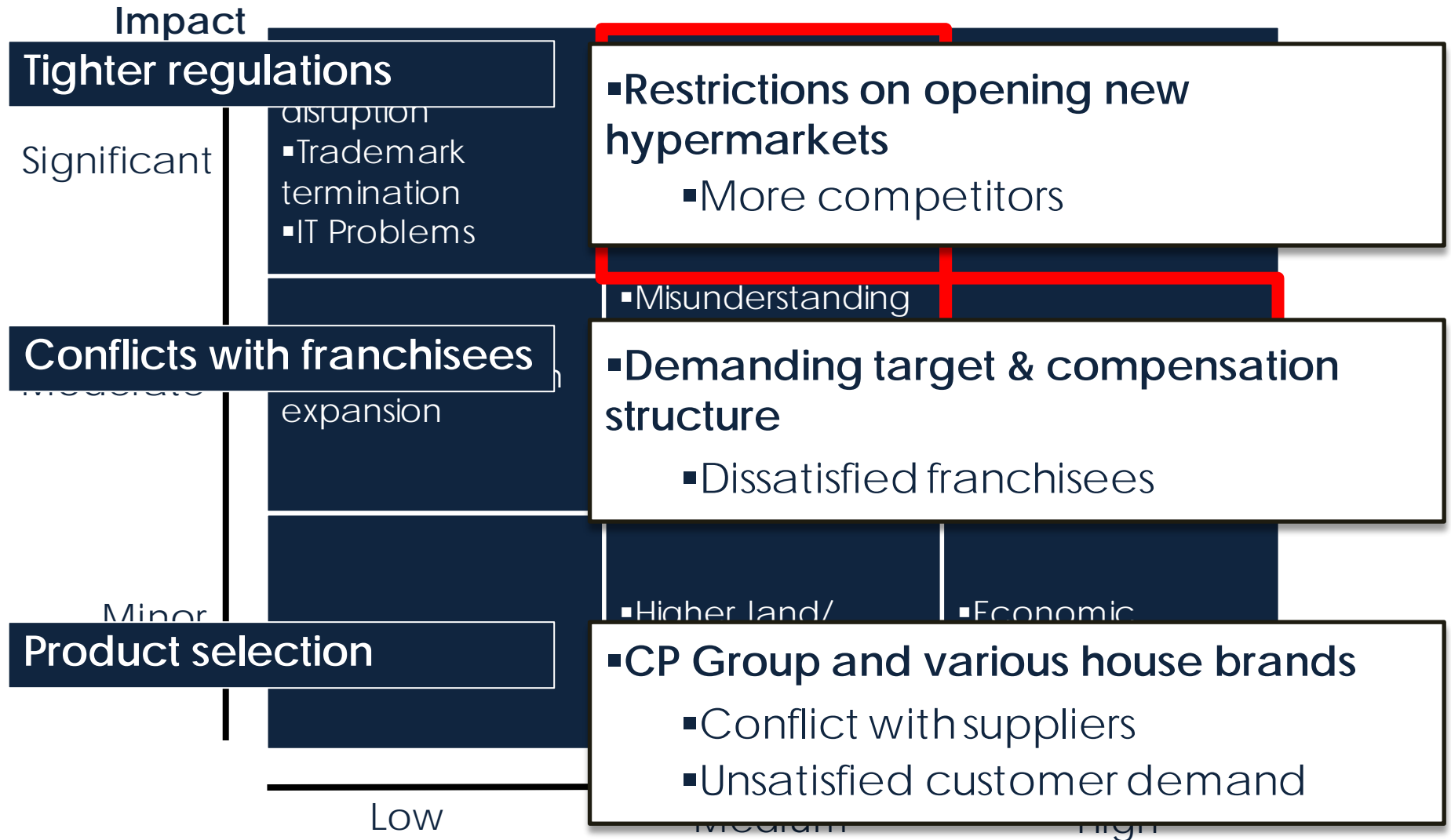
Why Buy?

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DCF Components THB 71.22

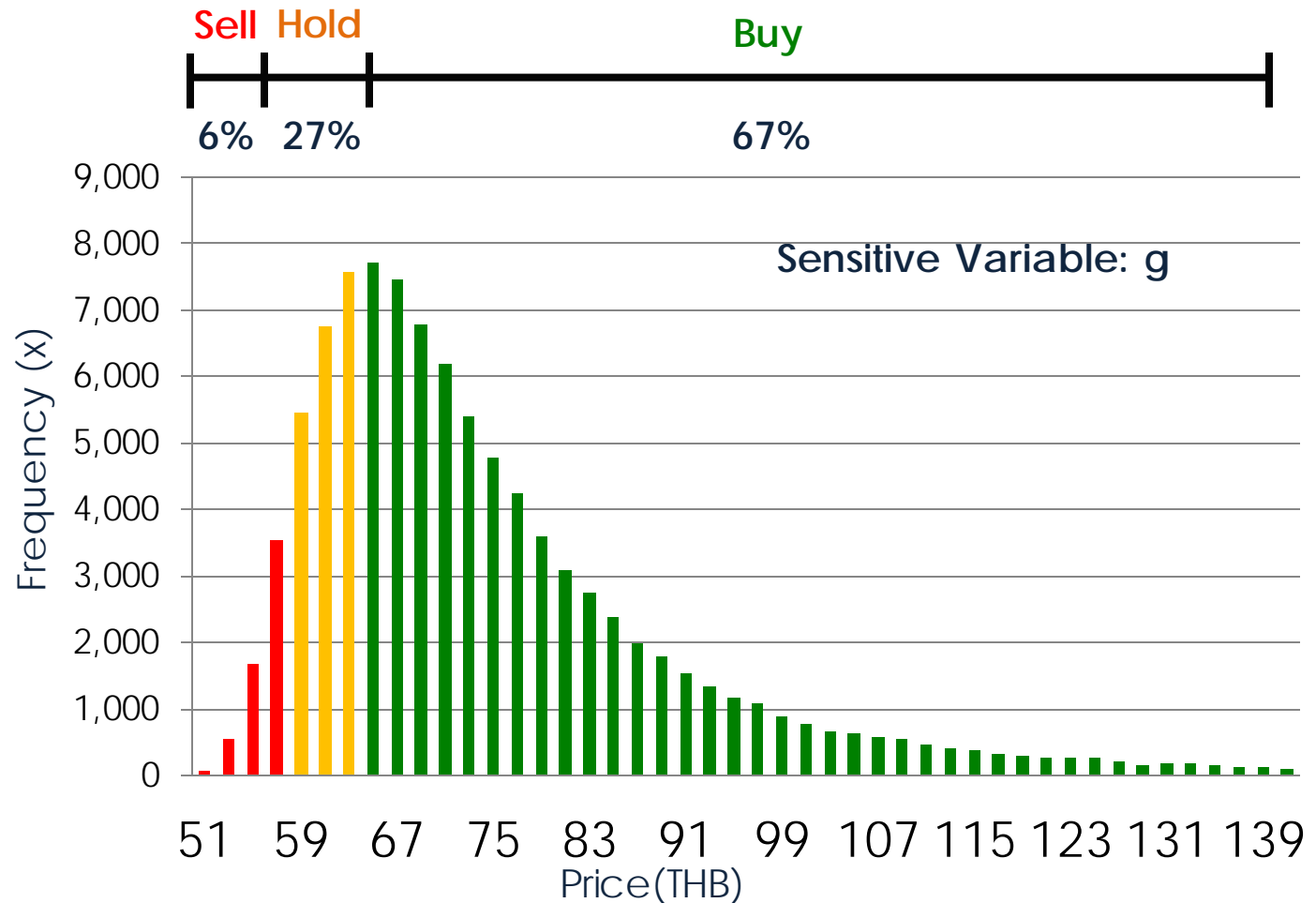
Cash per share
THB 6.71

5-Year
Projected
Cash
Flows
THB 12.40

Terminal
Value

g
THB 52.11

Sensitivity Analysis: Monte Carlo



Defensive Growth Stock



Sustainable Business Model



Confirmative Valuation

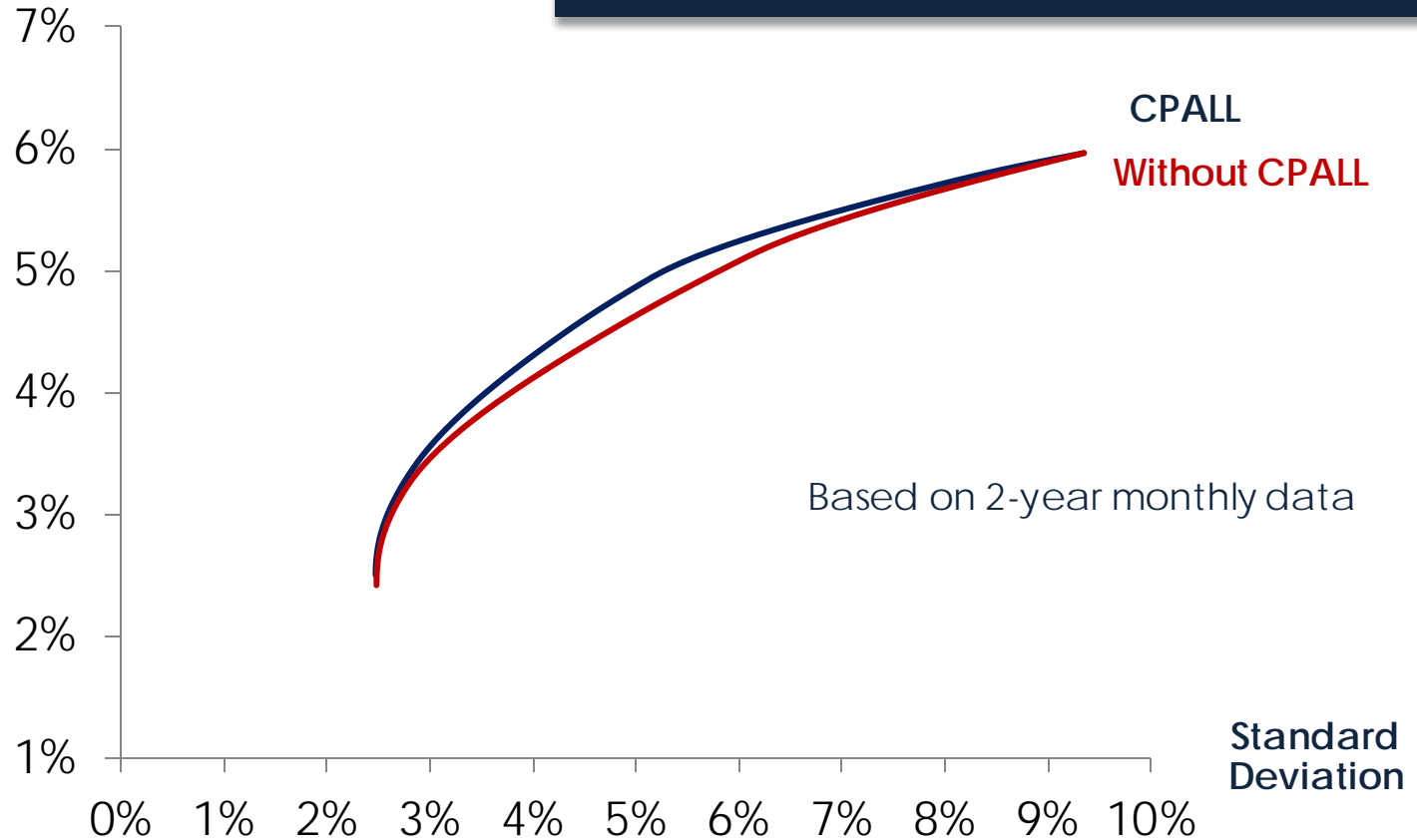
Indices

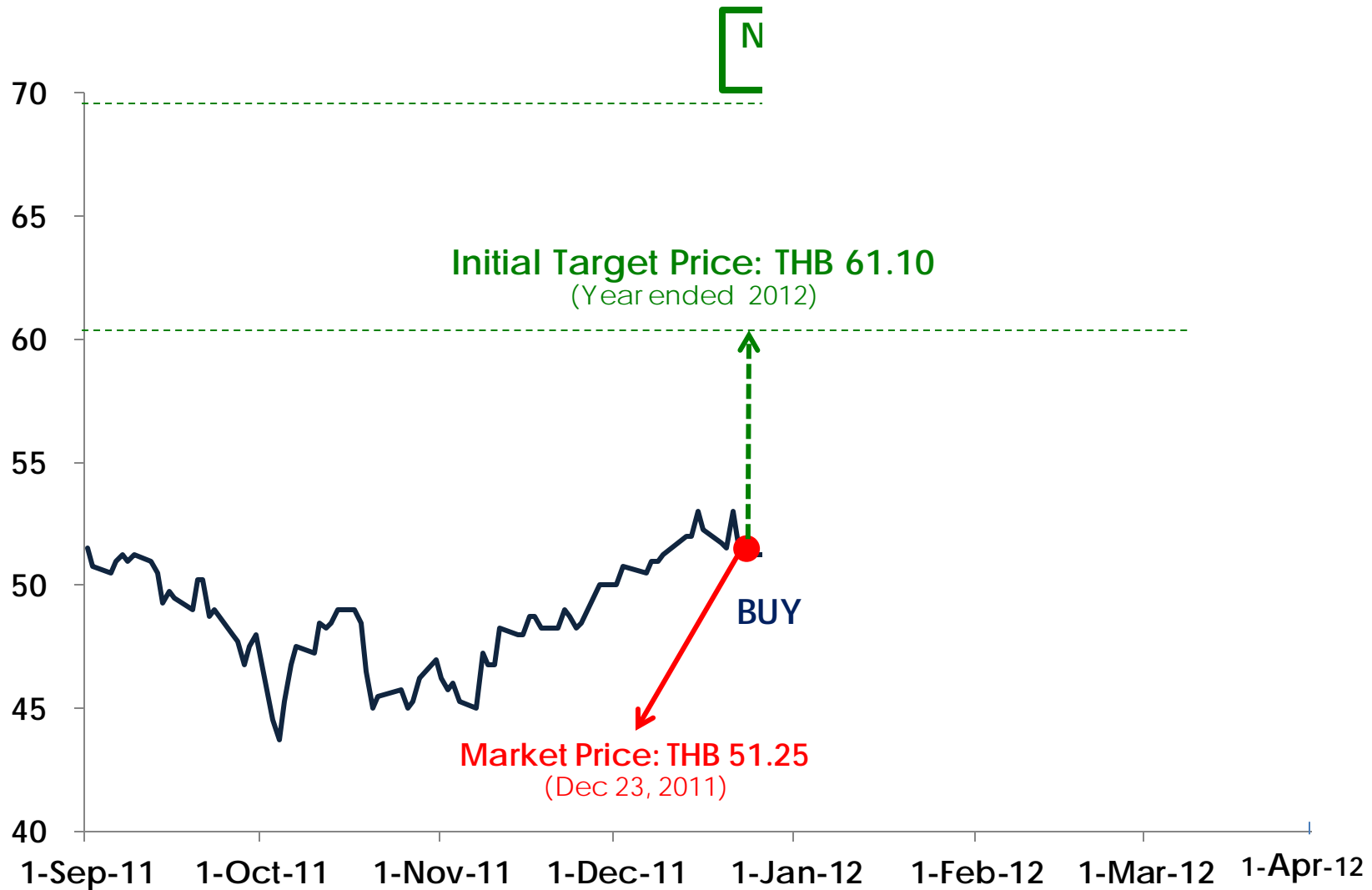
- HSI
- FSSTI
- SENSEX
- NIFTY
- KOSPI
- DYMKKLCI
- SHCOMP

Thai Stocks

- CPF
- KBANK
- ADVANC
- PT
- PTTEP
- SCB
- SCC
- LH
- BANPU

Return (Monthly)



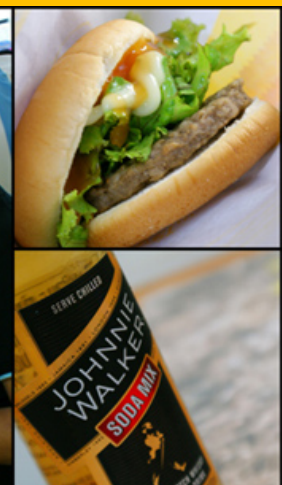




Thank You.
Q & A

Special Thanks to:

- CFA Institute Research Challenge
- CFA Society of Thailand
- Bloomberg
- CPALL
- BBA, Thammasat University
- Asst Prof Dr Pantisa Pavabutr
- Dr Anchada Charoenrook



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- [Investment Summary & Company Overview](#)
- [Revenue Breakdown & Objective](#)

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- [Defensive Growth: Growing](#)
- [Why Buy? Sustainable Business Model](#)
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- [Supportive Network in Detail](#)
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- [Distribution Center](#)

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- [BS/ BS \(CS\)](#)
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- [Forecast Net Sales](#)
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- [Football Field](#)
- [FCFE](#)
- [Ke](#)

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- [Shareholder Structure](#)

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- [Defensive Consumer Peers](#)
- [Defensive Peers](#)

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- [Monte Carlo – Ke and Growth](#)
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Efficient Frontier:

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- [Emerging Market Portfolio](#)
- [Emerging Sharpe Ratio Improvement](#)

Factors

Potential Store(As of 2016)

Population Density



Urbanization Rate



GDP Per Capita



High Growth Potential

Provincial
4,633 stores

Domestic
8,038 stores

The Expected Number of Stores by 2013

	Number of Stores (Q3Y2011)	Concentration of New Stores	Number of Stores (2013 Target)	Difference
Number of stores	6,206	100%	7,000	794
BKK and Vicinities	2,965	35%	3,243	278
Provincial	3,241	65%	3,757	516

	Population density	GRP/Capita
Weight	60%	40%

The Calculation of Potential Number of 7-Eleven Stores by the End of 2016

	A	B	C	D	E	F	G	H	I	J
			= A/B		= C/C7	= D/D7	= A/A7	= E*G		= (I*J7)/17
Region	Population	Area Size (km ²)	Population Density	GRP per Capita (THB)	Score of Population Density	Score of GRP per Capita	Other Pop/ BKK Pop	Score of Pop Dense * Other Pop/ BKK Pop	Weighted Average	Potential Number of Stores
North	12,176,037	93,690	129.96	79,158	10.49	21.91	1.05	11.04	15.39	524
Northeast	22,878,473	168,854	135.49	49,092	10.93	13.59	1.98	21.63	18.42	627
South	9,377,986	70,715	132.62	104,738	10.70	28.99	0.81	8.68	16.81	572
Central	3,044,409	82,465	36.92	264,285	2.98	73.16	0.26	0.78	29.73	1,012
West	3,686,075	53,679	68.67	114,951	5.54	31.82	0.32	1.77	13.79	469
East	4,587,428	34,380	133.43	355,435	10.77	98.39	0.40	4.27	41.92	1,427
BKK & Vicinities	11,562,216	9,330	1239.22	361,243	100.00	100.00	1.00	100.00	100.00	3,405
Total	67,312,624									
									Total Provincial Stores	4,633
									Total Domestic Stores	8,038

	Stores (3Q11)	Urbanized Population (2011)	Urbanized Population (2016)	Stores (2016)	Urbanized Population per Store
Bangkok and Vicinity	2,965	9,000,000	9,839,690	3,405	2,890
Provincial	3,241	14,000,000	15,306,184	4,638	3,300
Total	6,206	23,000,000	25,145,873	8,043	

Sources: Bank of Thailand, Office of the National Economics and Social Development Board, and National Statistics Office

Corporate Governance Award As of 2010

Thai Institute of
Director(IOD)

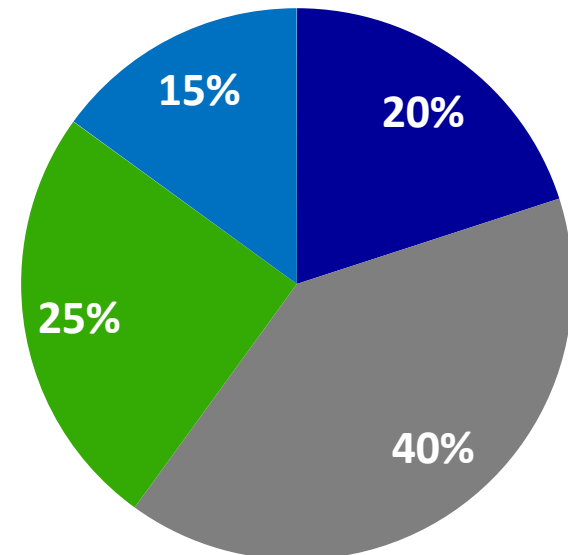
"Very Good"

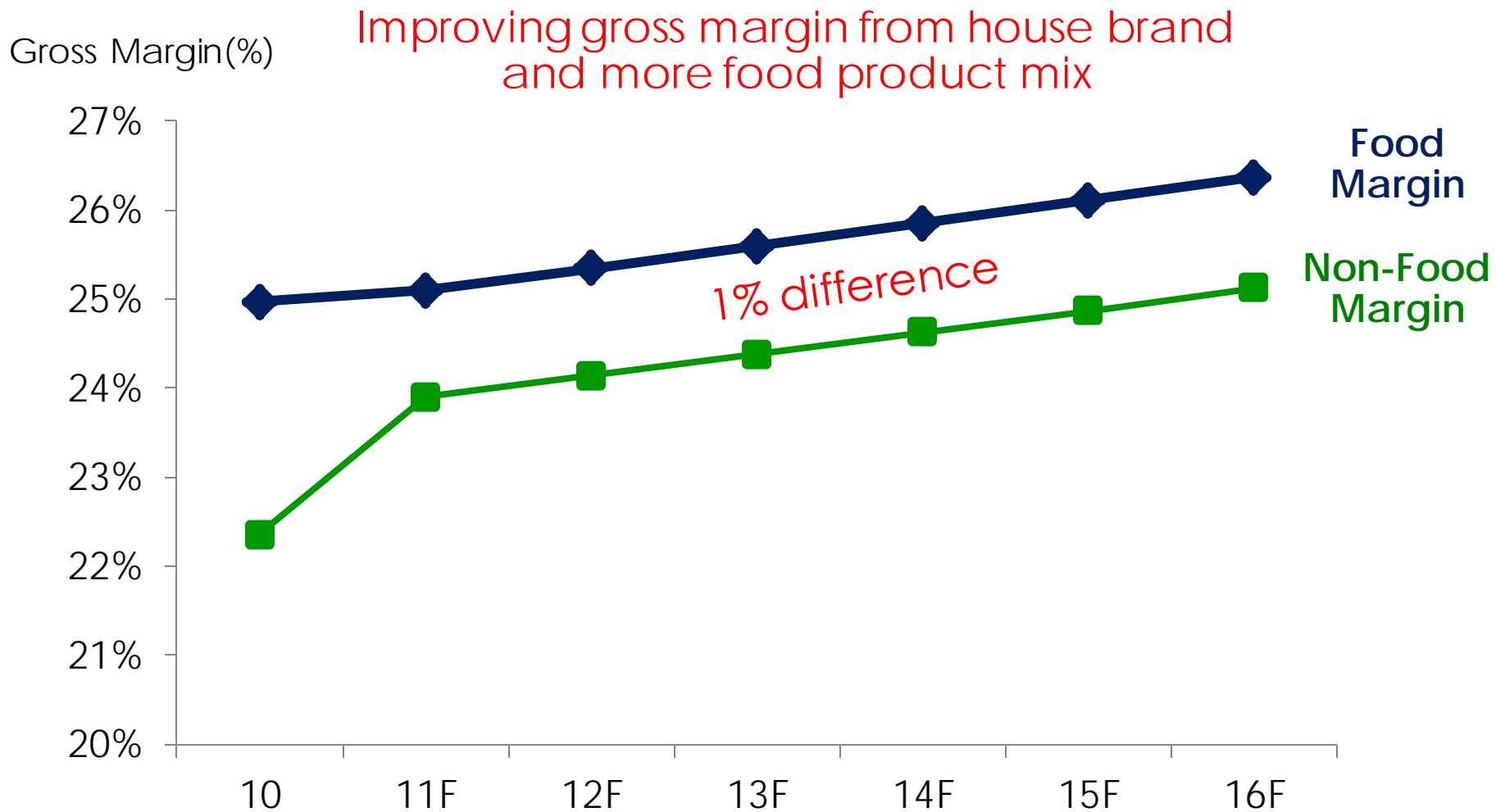
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TRIS Rating Corporation Limited

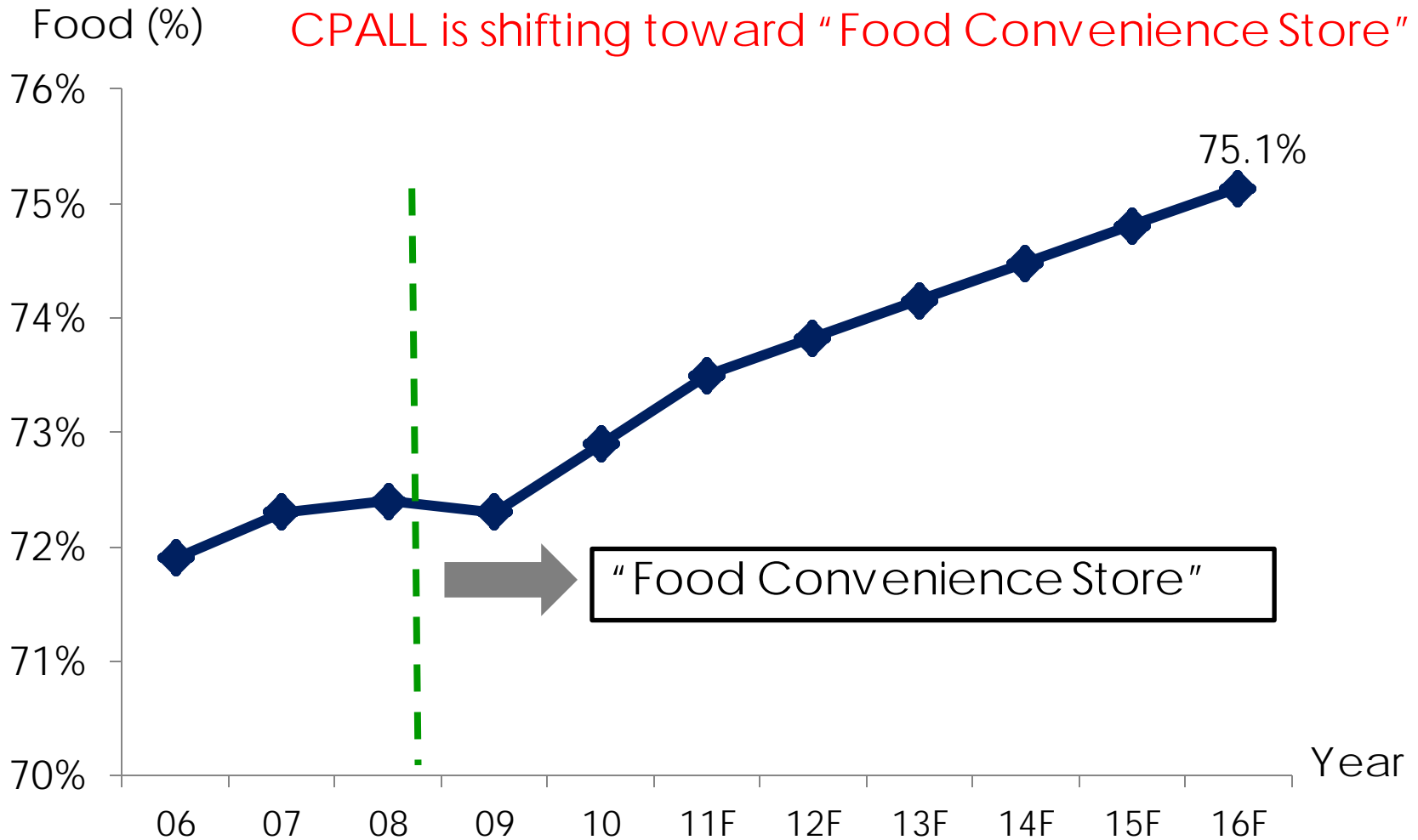
Criteria

- Shareholder's rights
- Director's structure and responsibilities
- Disclosure standard of key information
- Corporate culture and good governance





Source: Company release and Team's estimates



Source: Company release and Team's estimates

Can Command Highest Profit Share

	Thailand	US	Japan	Taiwan
Profit Sharing of Gross Profit	46%	Progressive 5-30%	43-45%	38%
Utilities	Franchisee	Franchisee	80% by 7-11	50% by 7-11
Start-up Costs	Med	High	Low	Low-Med
Initial investment(USD)	88,000	442,900	34,000	80,000

No additional costs such as payroll and utilities
Store expansion financed by Franchisee

Source: Company's websites

2012 Consensus Estimate							
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ROBINSON DEPARTMENT STORE	Robinson	56	5.3	41.1	48.7	1.02	17.5
SIAM MAKRO	Makro	82	6.4	26.4	32.8	1.43	27.6
HOME PRODUCT CENTER	Home Pro	80	8.1	28.4	47.3	1.08	27.9

Source: Bloomberg

2012 Consensus Estimate

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TAIWAN FAMILYMART	Taiwan	Family Mart	1.2	6.7	28.4	26.1	1.08	24.3
LAWSON INC	Japan	Lawson	6.0	2.3	21.0	48.9	0.43	10.9
CIRCLE K SUNKUS	Japan	Circle K	1.8	0.8	17.2	53.5	0.32	4.7
SEVEN & I HOLDINGS	Japan	7 - Eleven	25.3	1.1	18.5	48.6	0.38	6.0

Source: Bloomberg

Terminal
Value

Justification

g

6.6%

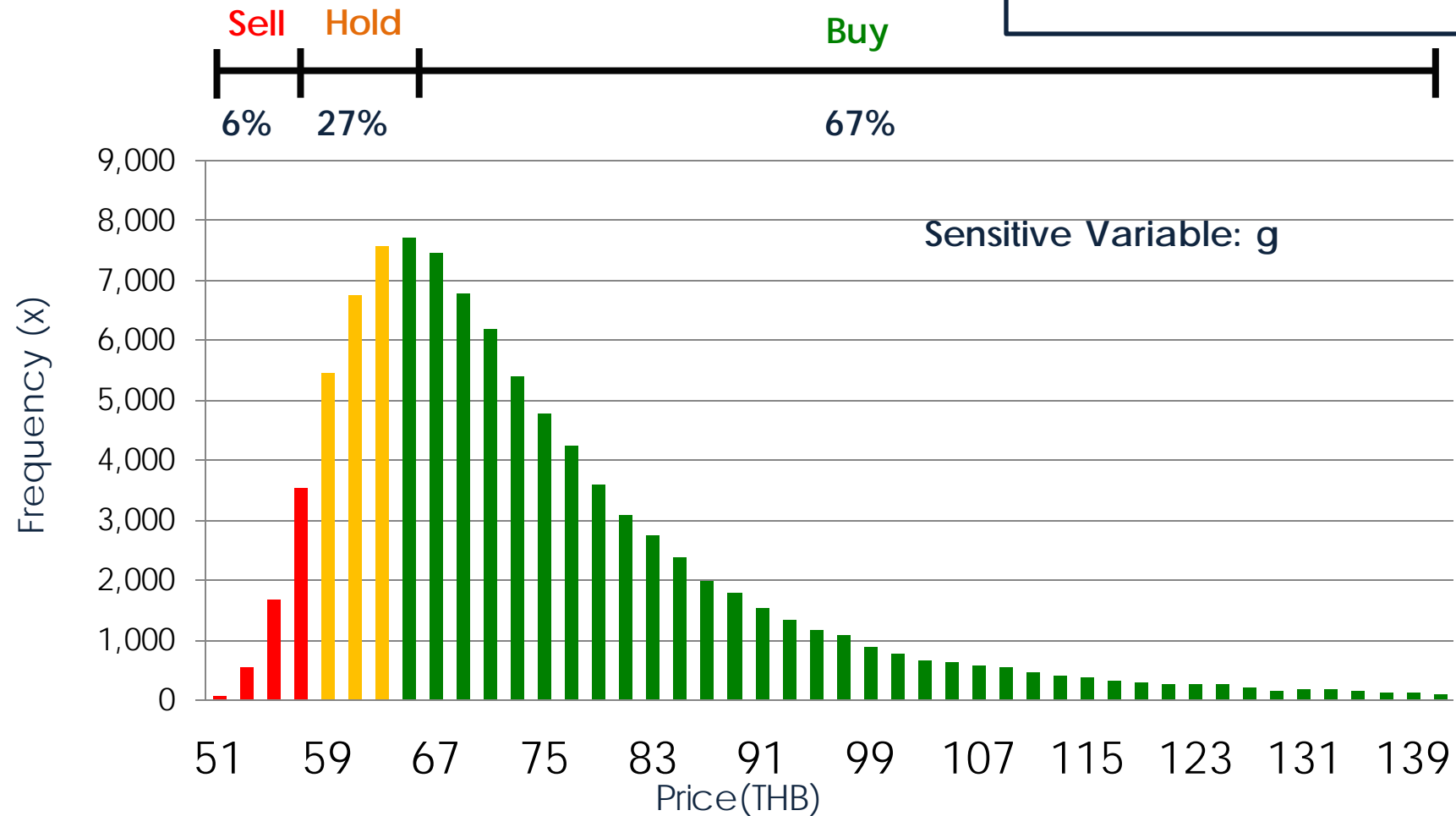
Real GDP
growth

Headline
Inflation

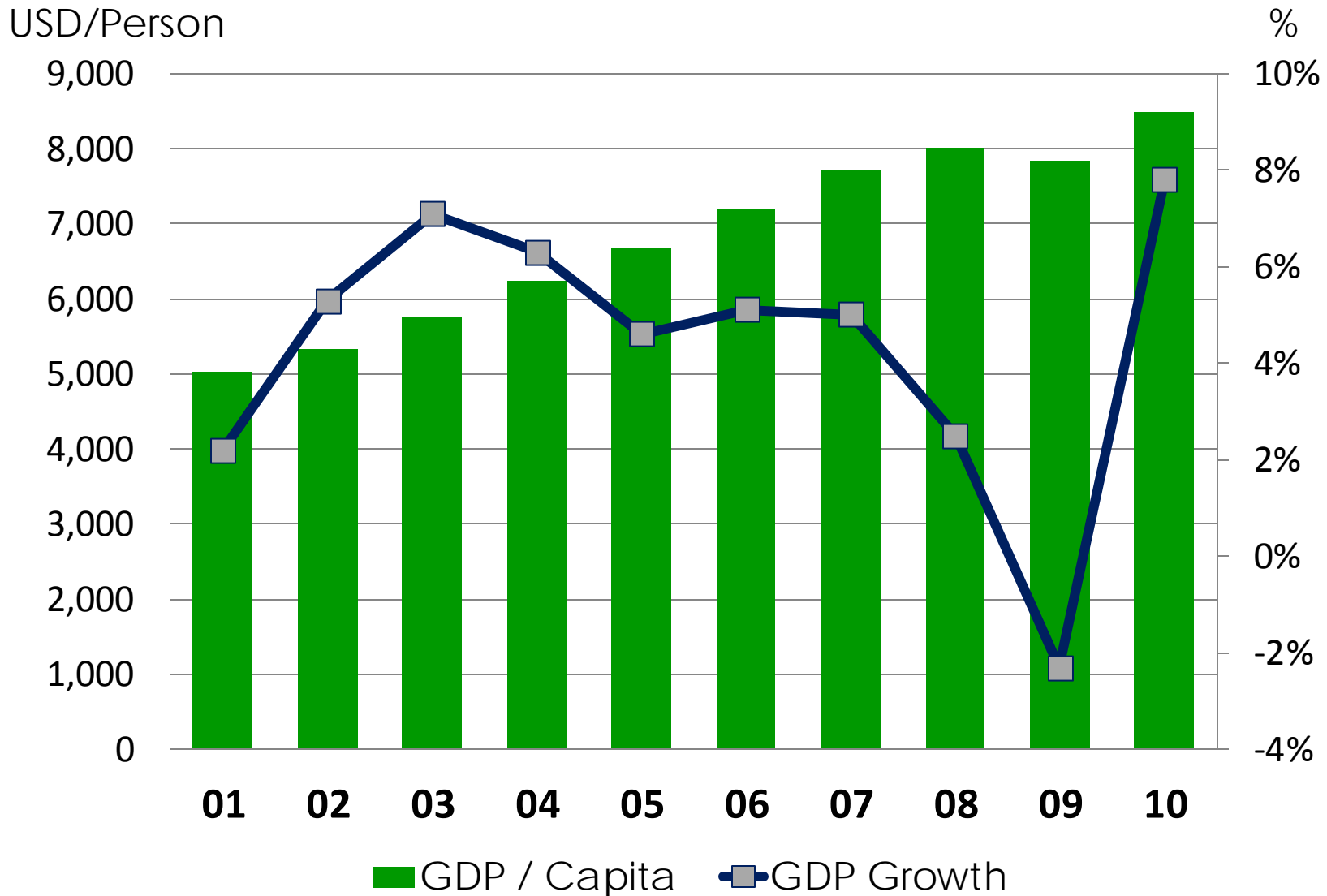
Urbanization
rate

Assumptions:

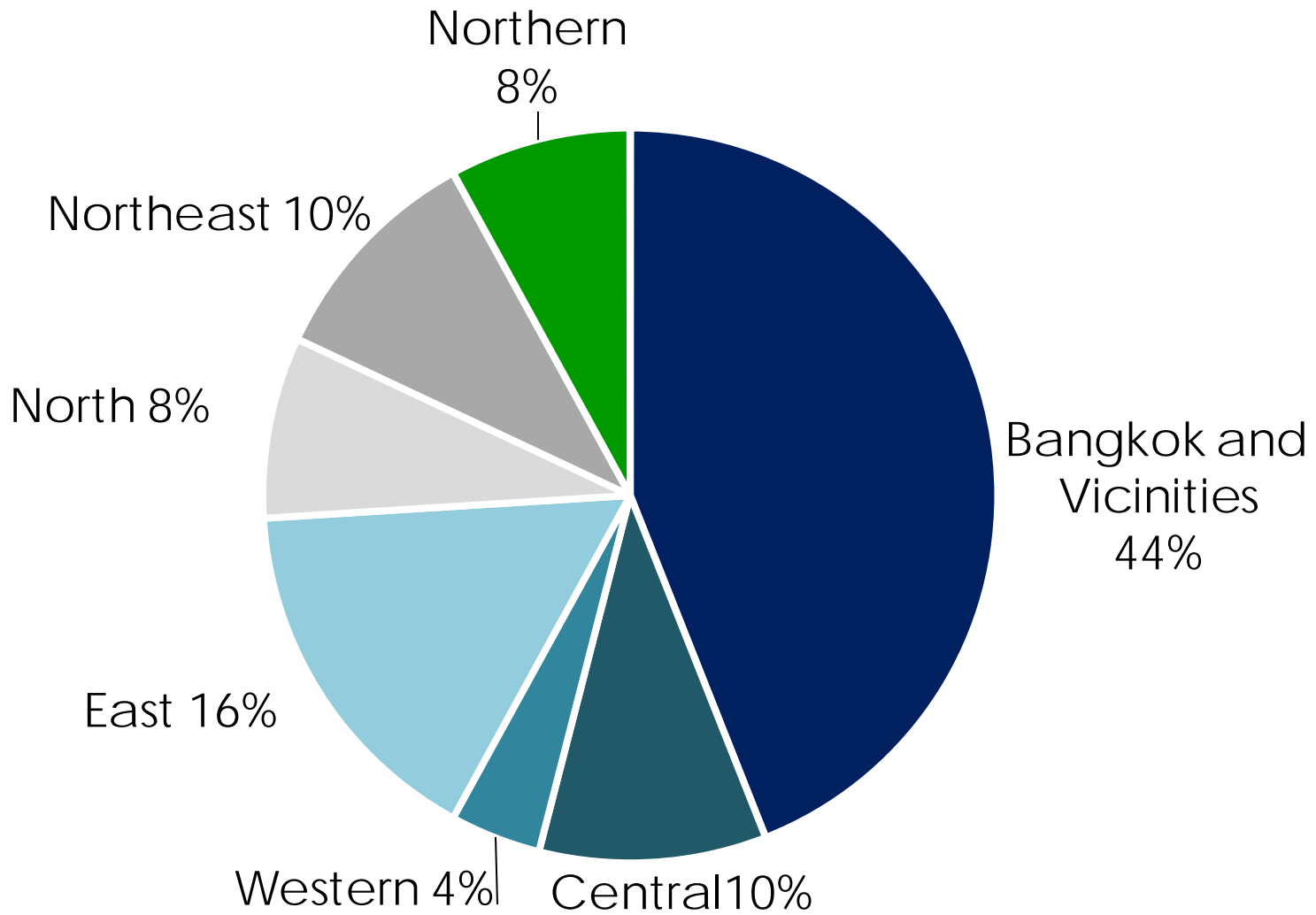
- Growth is normally distributed
- Mean = 6.6%
- S.D. = 1.8%



Thailand GDP Growth vs. GDP per capita

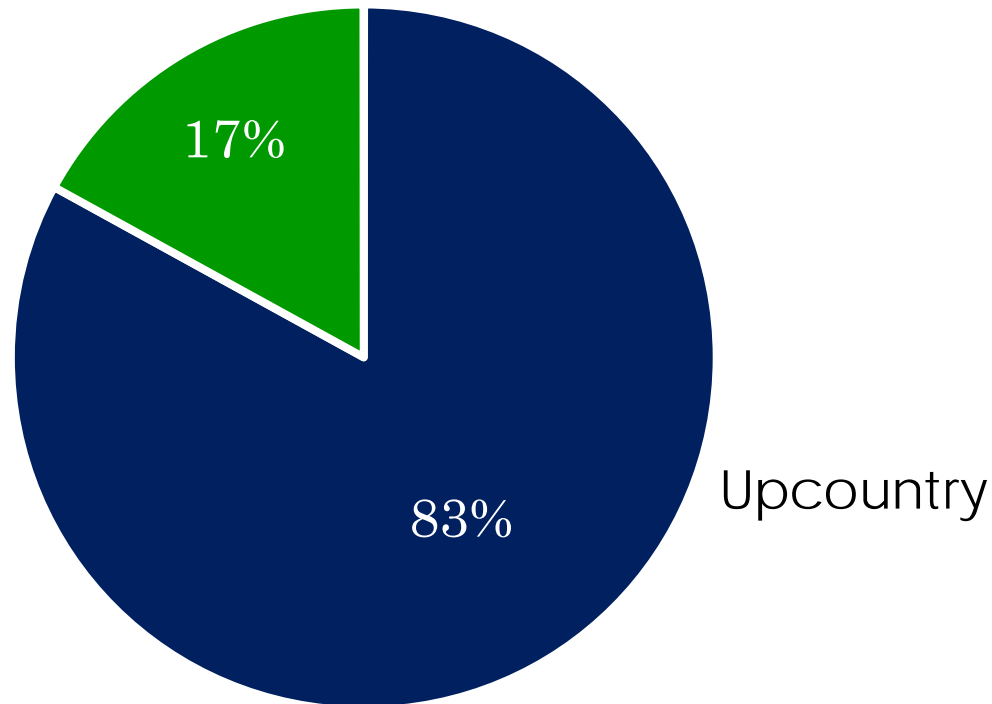


Source: Bloomberg



Source: Bank of Thailand

BKK and Vicinities



Source: Bank of Thailand

Urbanization → Concentration of population → Present more strategic locations → Opportunity to Convenience stores → Value driver to CPALL

Urban Population = 34% of Total Population
Rate of Urbanization = 1.8% Annual Growth Rate

Source: Central Intelligence Agency World Factbook

Real GDP

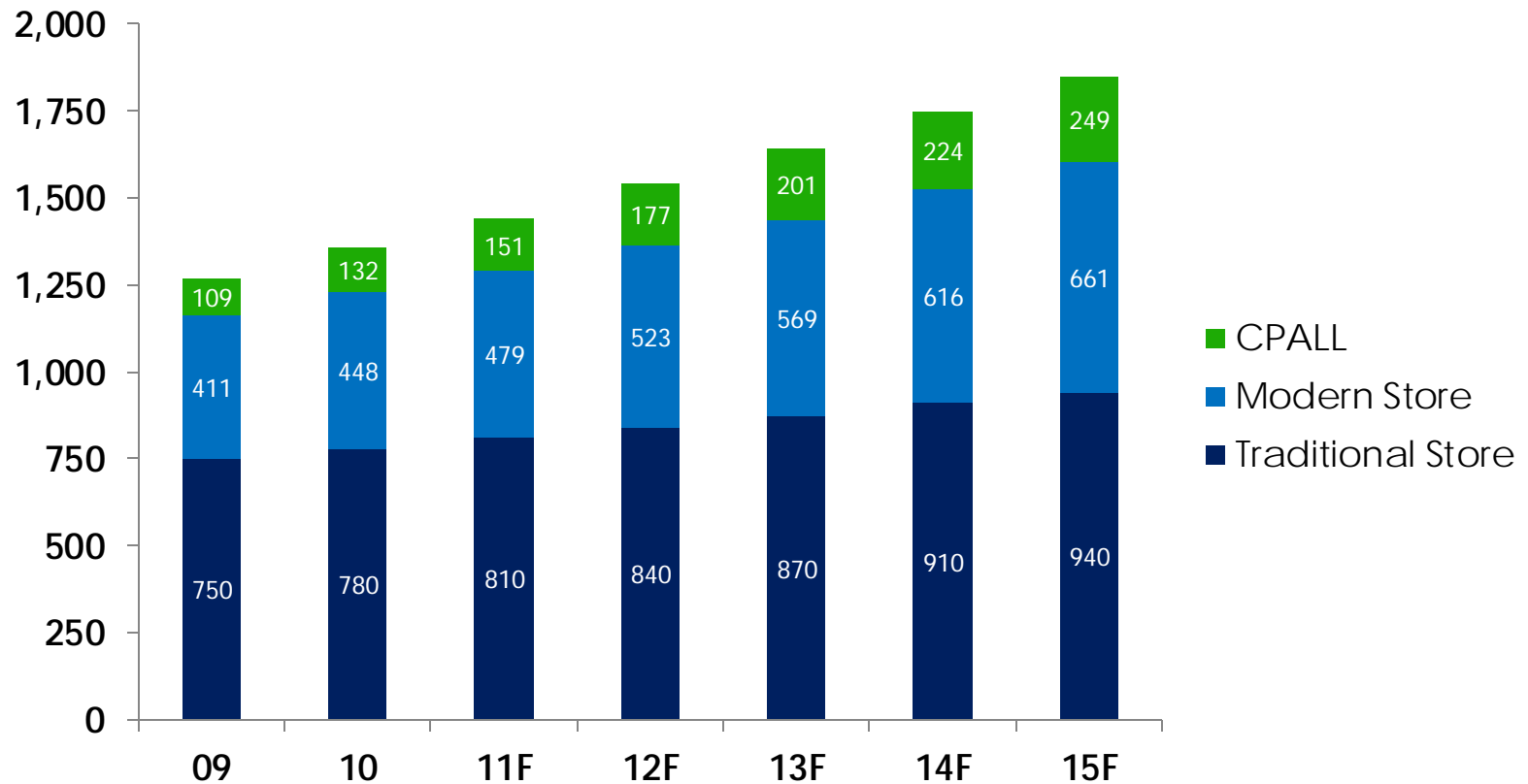
2016 - 2025E = 4.7% \pm 1.0%
2026 - 2035E = 4.4% \pm 1.0%

Inflation

Headline Inflation = 3% \pm 1.5%

Retail industry is growing faster than GDP especially in modern trade

Unit: In billion THB



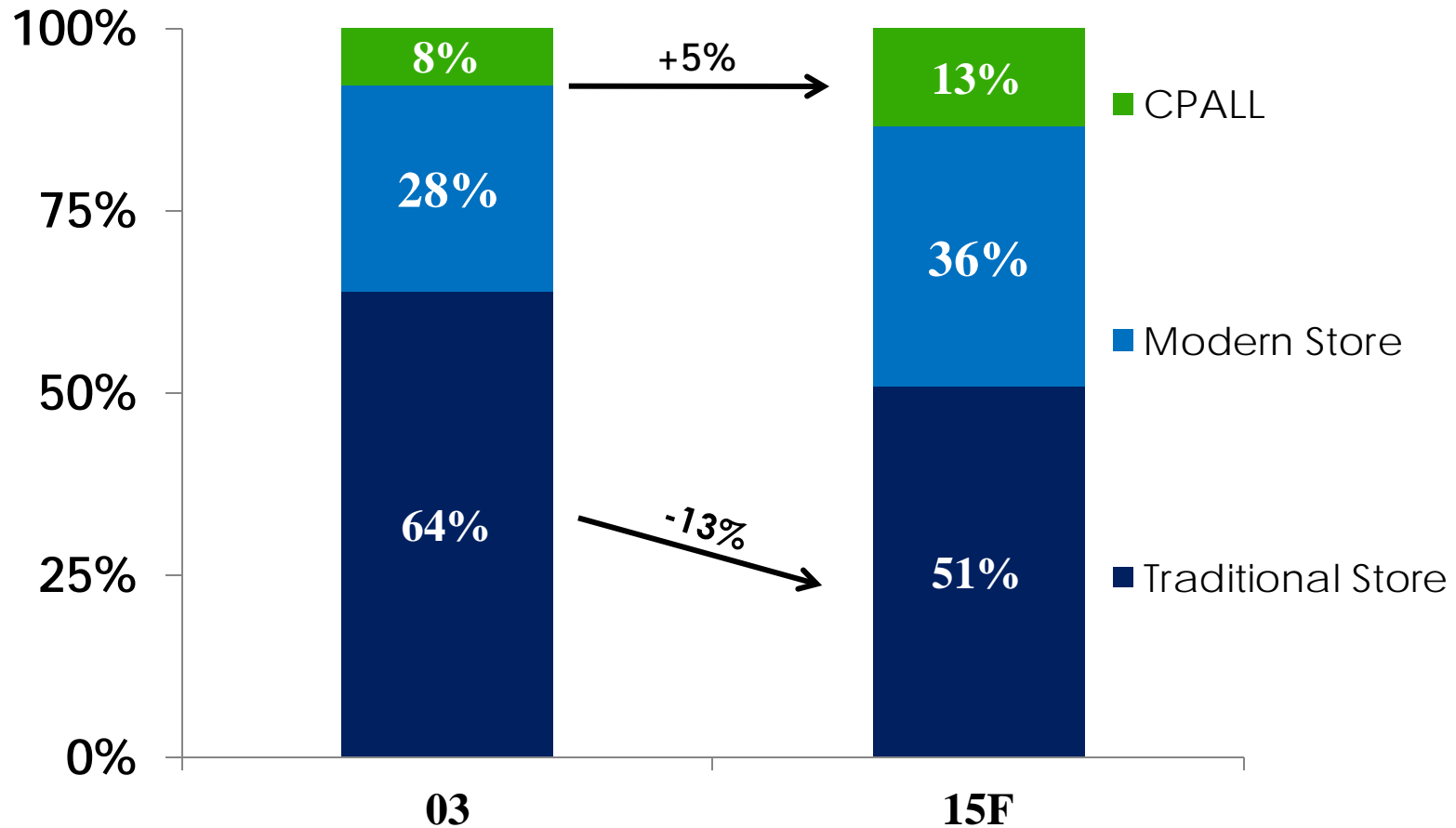
Source: McKinsey & Co. Report and Team's estimates

CPALL is part of the Department store and Supermarket Index

Department Store and Supermarket Index
Components
• Cooperative Stores
• Department Stores
• Traditional Stores
• Non – specialized Retails
• Variety shops

Source: United Nation Statistics and Bank of Thailand

Modern trade stores capitalize on traditional stores' downturn



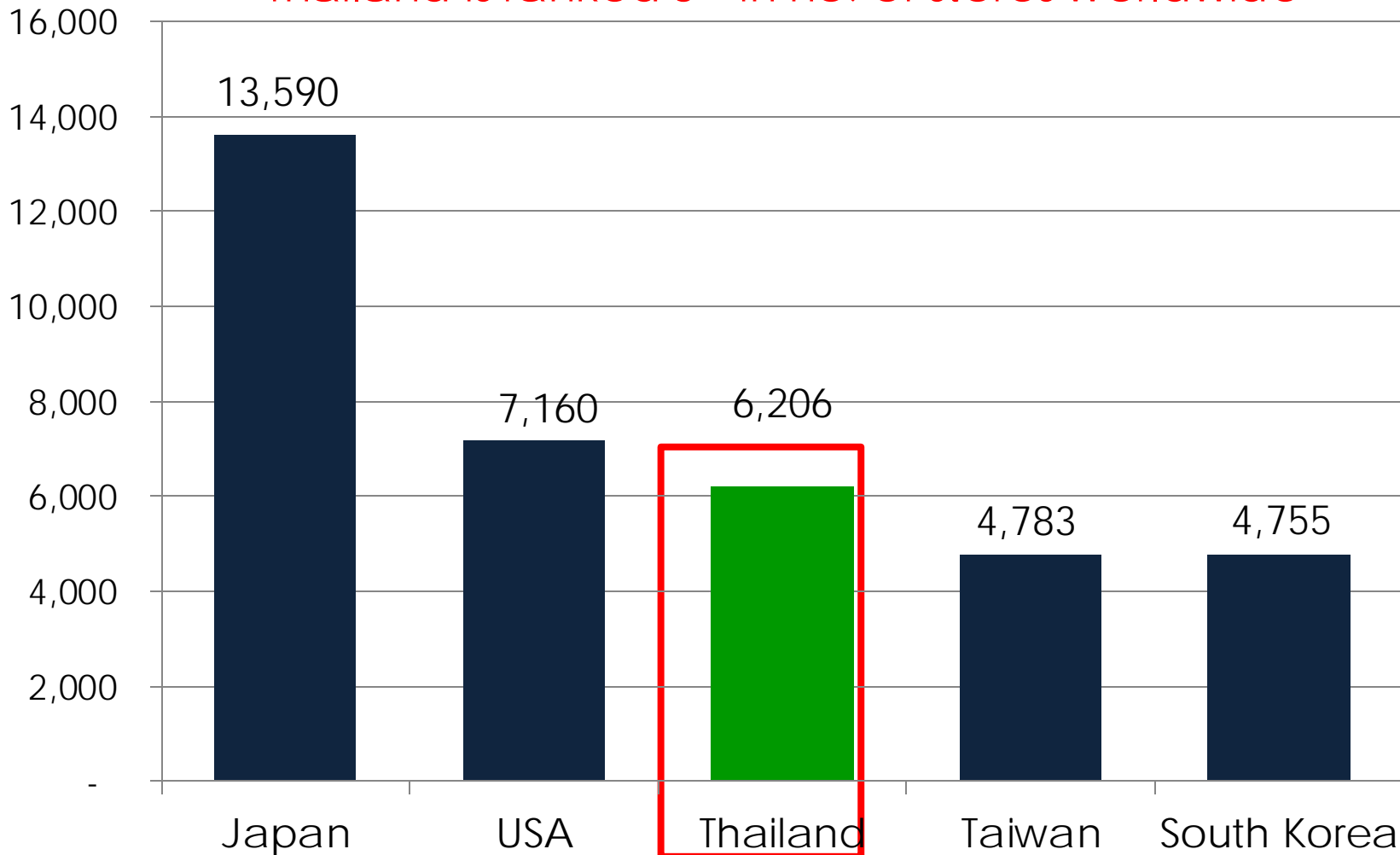
Source: McKinsey's research, Company release and Team's estimates

World Market

Product	Growth Rate(%)	
	Average Growth Rate 2005 - 2010	Growth Rate 2005 - 2010
Instant Food - Canned	2.3	12
Instant Food - Frozen	2.8	14.6
Instant Food - Dried	0.3	1.6
Instant Food - Chilled	3.1	16.2
Dinner Mixes	2.1	10.8
Frozen Pizza	2.6	13.7
Chilled Pizza	2.3	11.9
Prepared Salads	4.1	22.1
Industry Overall	2.7	14.2

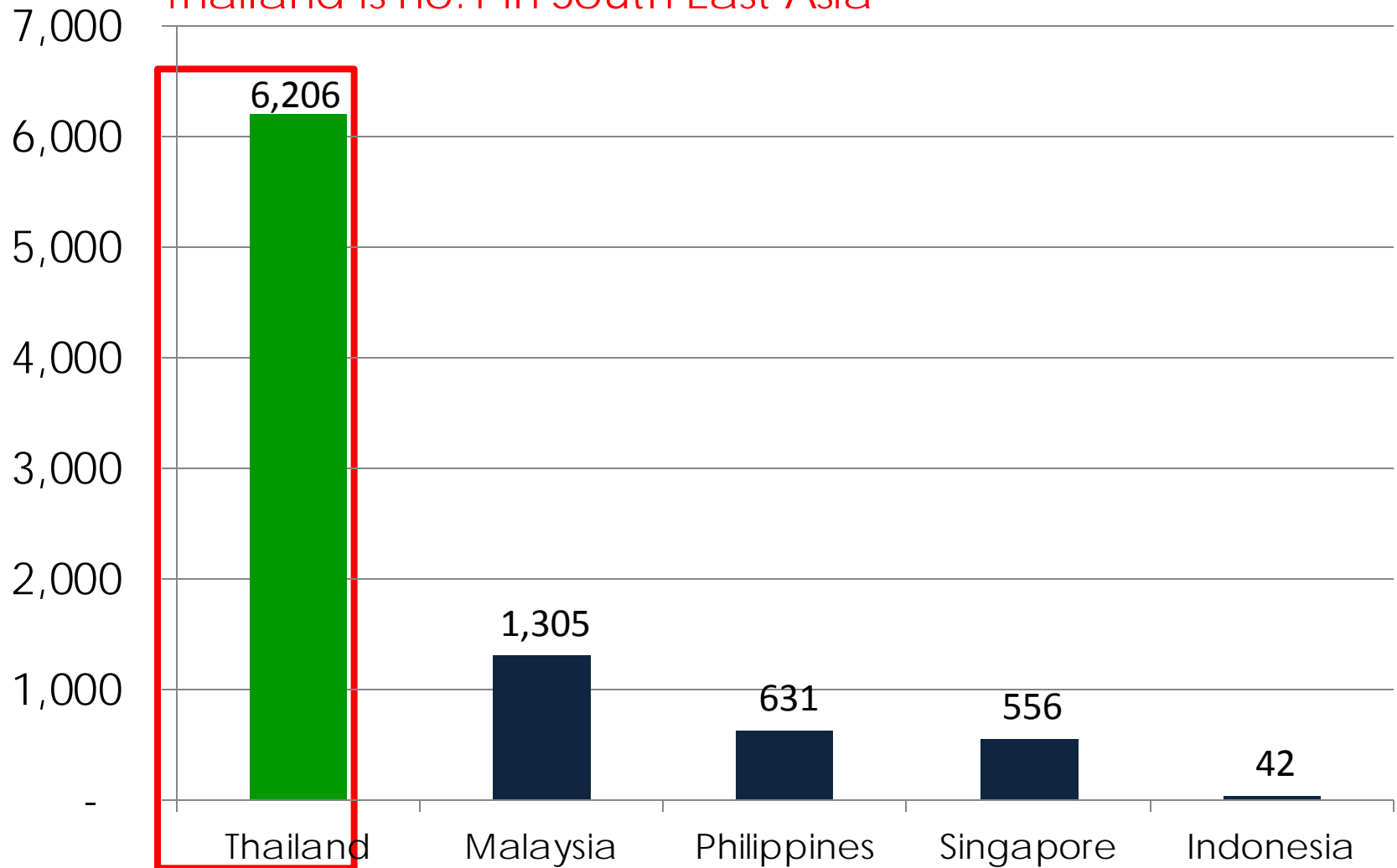
Source: Euromonitor International

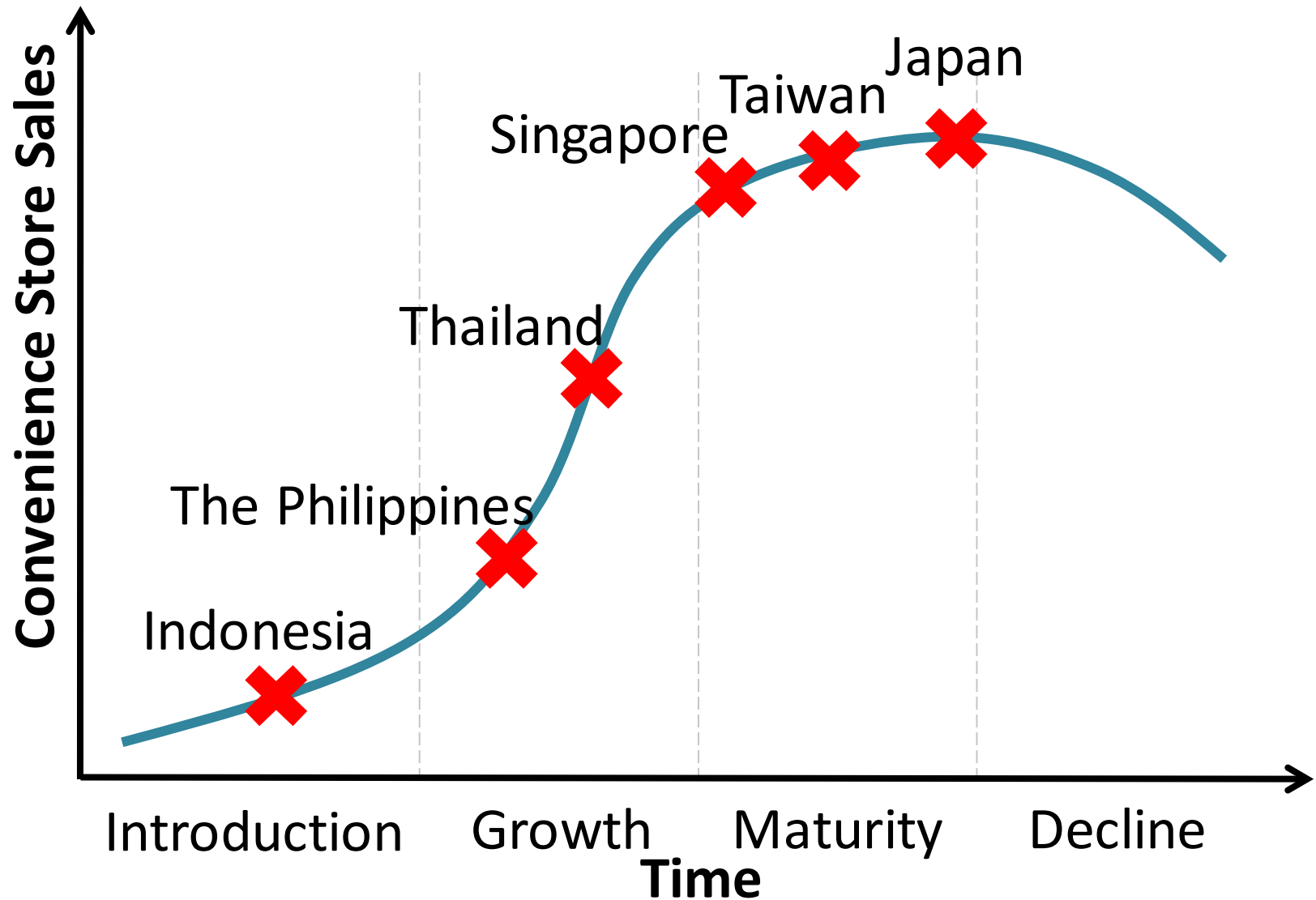
Thailand is ranked 3rd in no. of stores worldwide

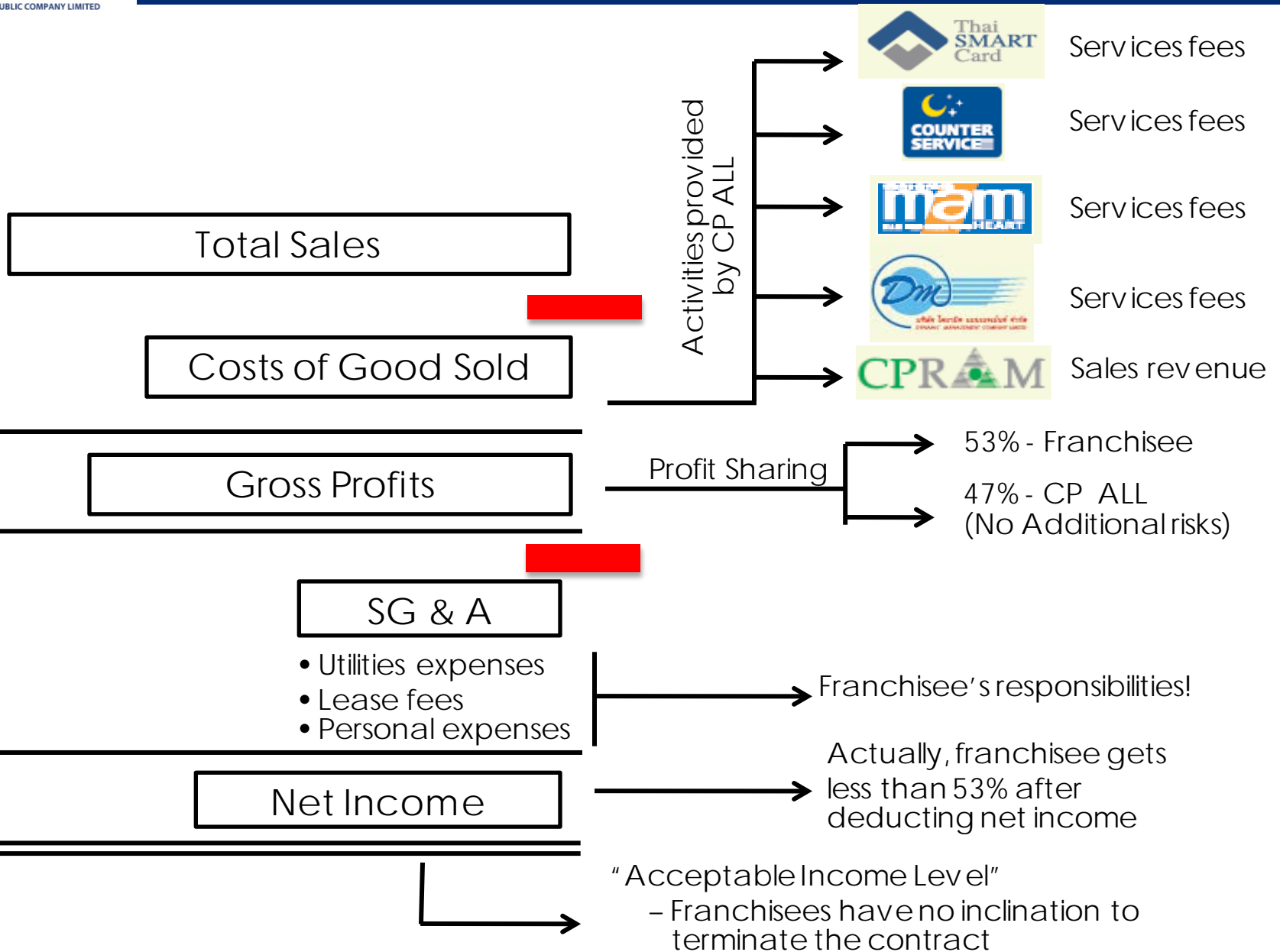


Source: 7-Eleven US Official Website

Thailand is no.1 in South East Asia









Initial Investment



Distribute and repairs equipment



Provide IT services

Operations



Provide a bill payment services



Provide marketing consulting



Provide logistics services



Manufacture and sell frozen food and bakery



Offer products and services payment through Smart Purse electronic card

Support Functions



Provide training and seminar services



Provide education services

CPALL promote the expansion through Franchise2

Store Type	
Sub-licensing	Exclusive rights for store expansion in the specified area
Franchise B	Management contract + bonus
Franchise C	Profit sharing
Own store	CPALL's own operation
PTT store	Contract to open 7-Eleven stores in PTT petrol service stations

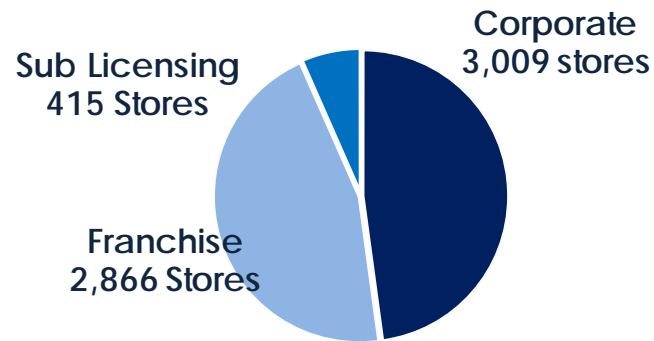
Being discontinued



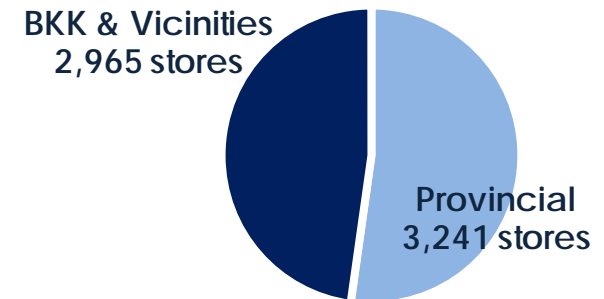
Source: Company release

Store Breakdown

Type of Stores

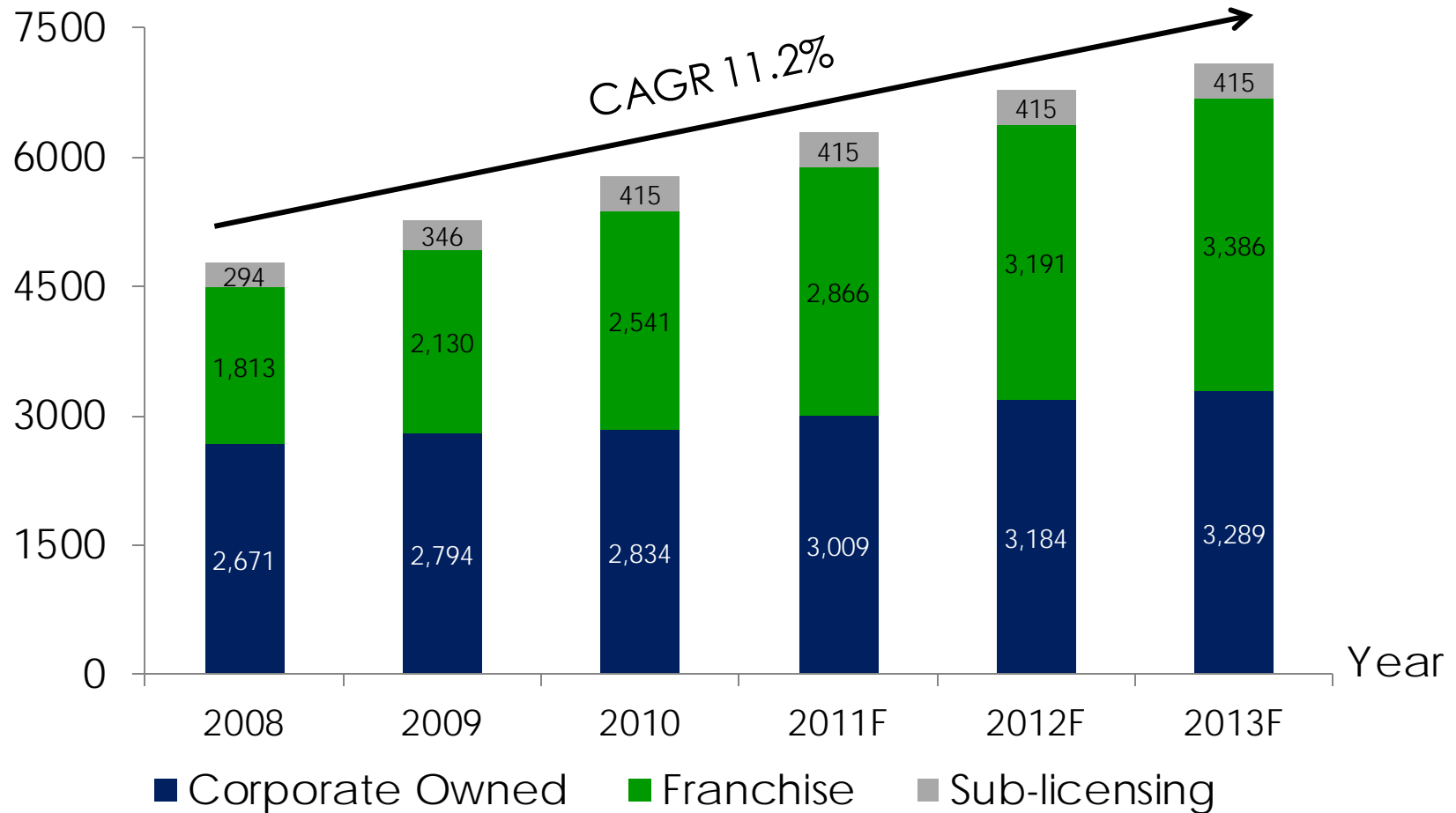


Geographical



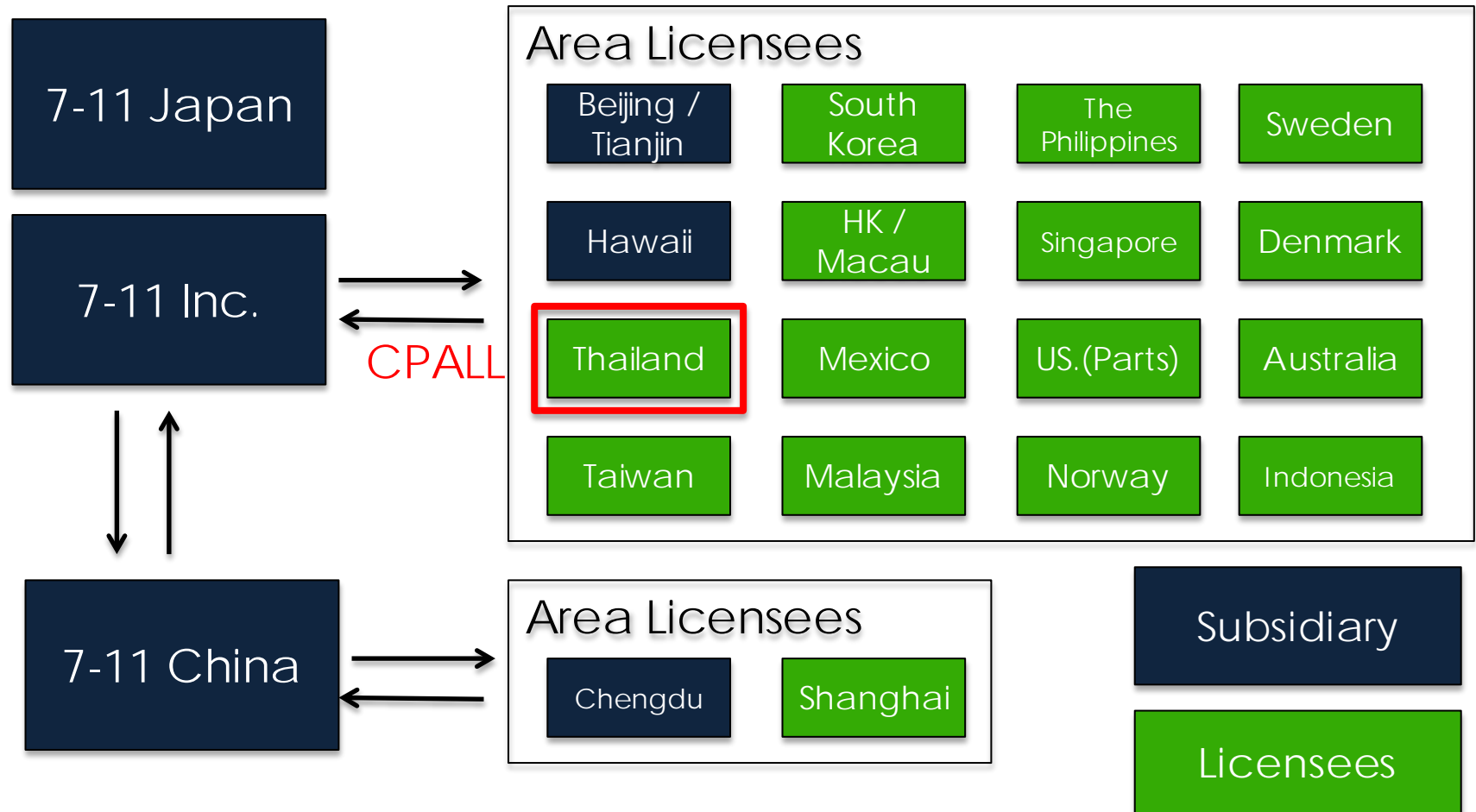
Continual Strong Growth in Store Expansion

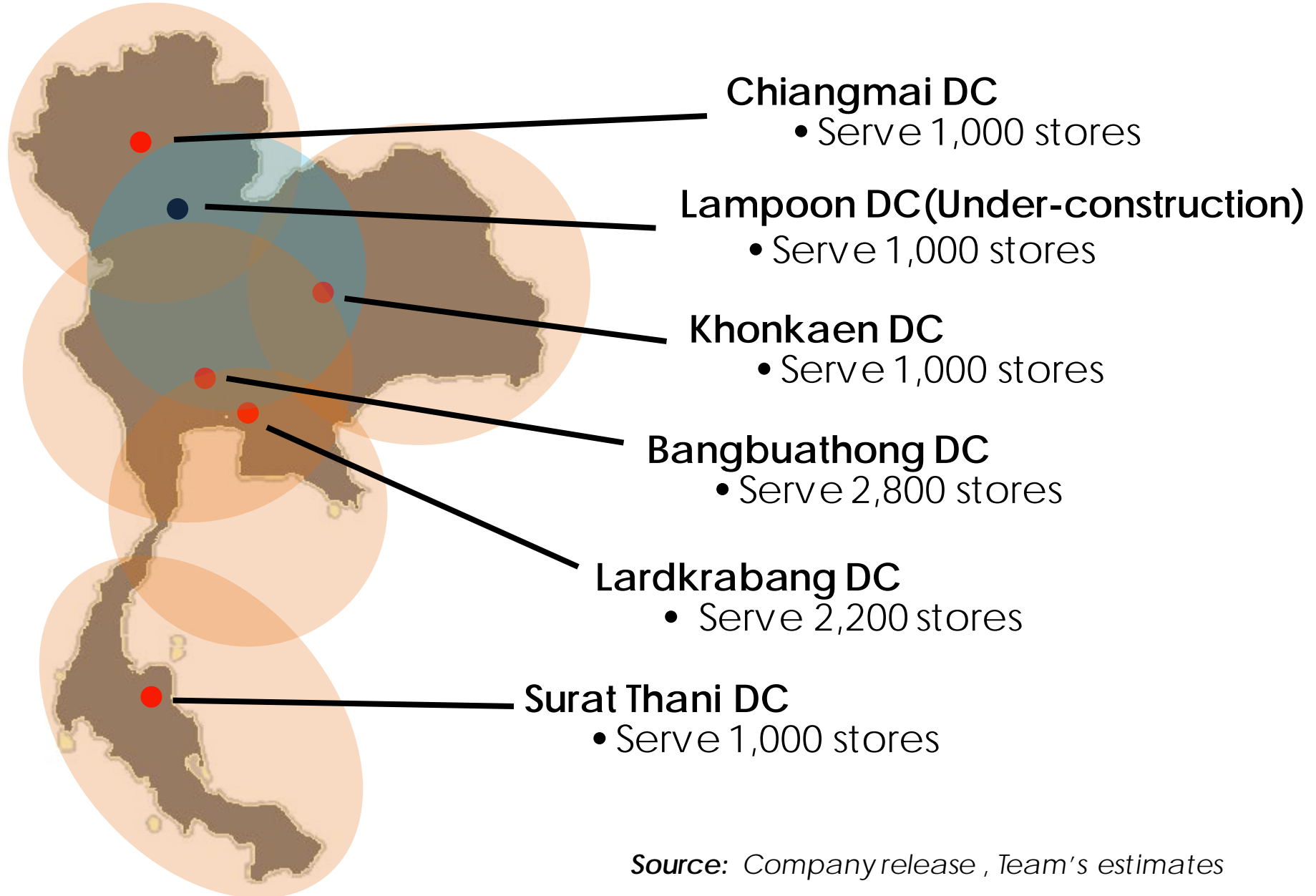
No. of Store



Source: Company release and Team's estimates

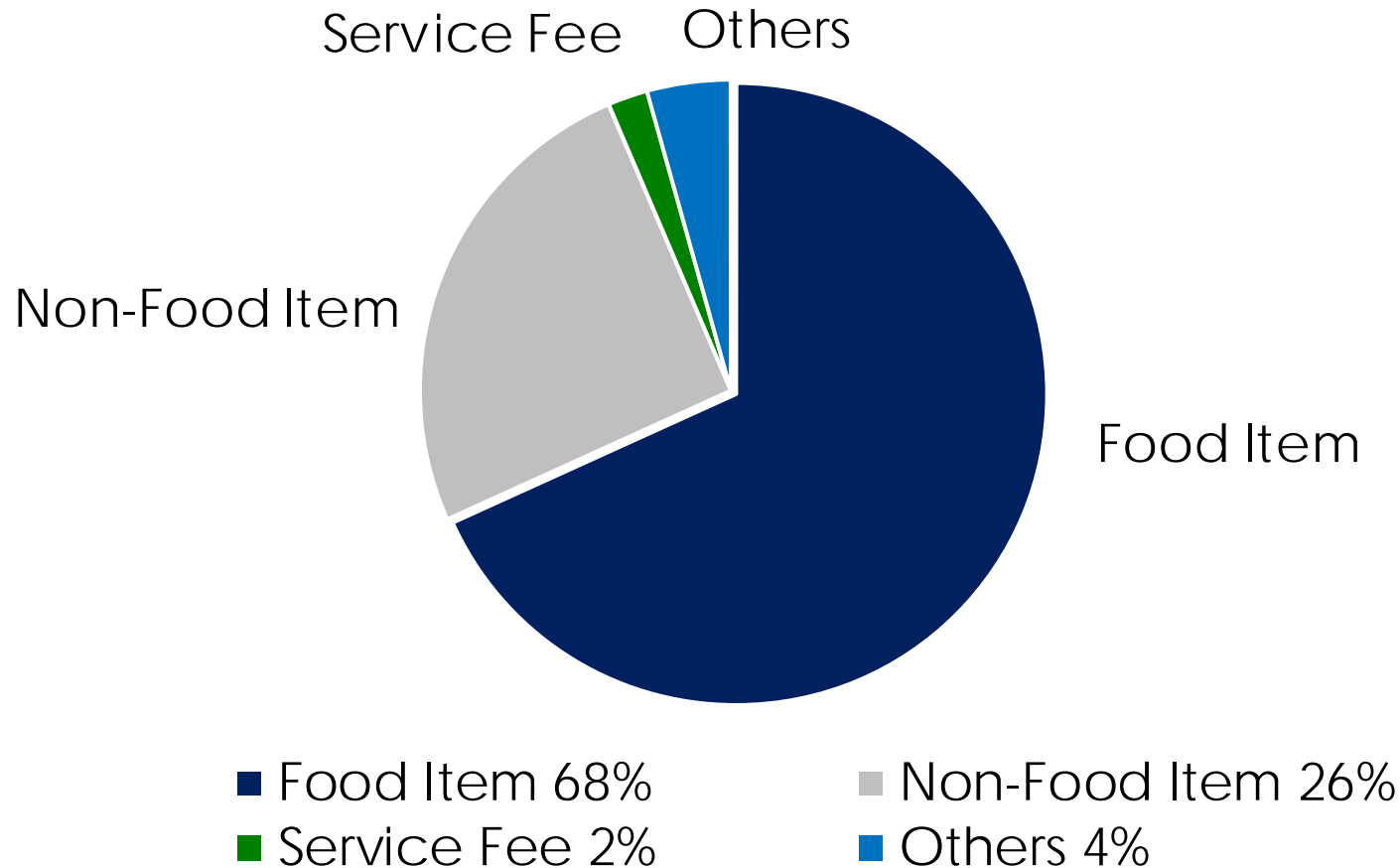
7-11 Global → Licensing to strong strategic partners in each country





CPALL's Main Revenues are from Food Products

Revenue Breakdown

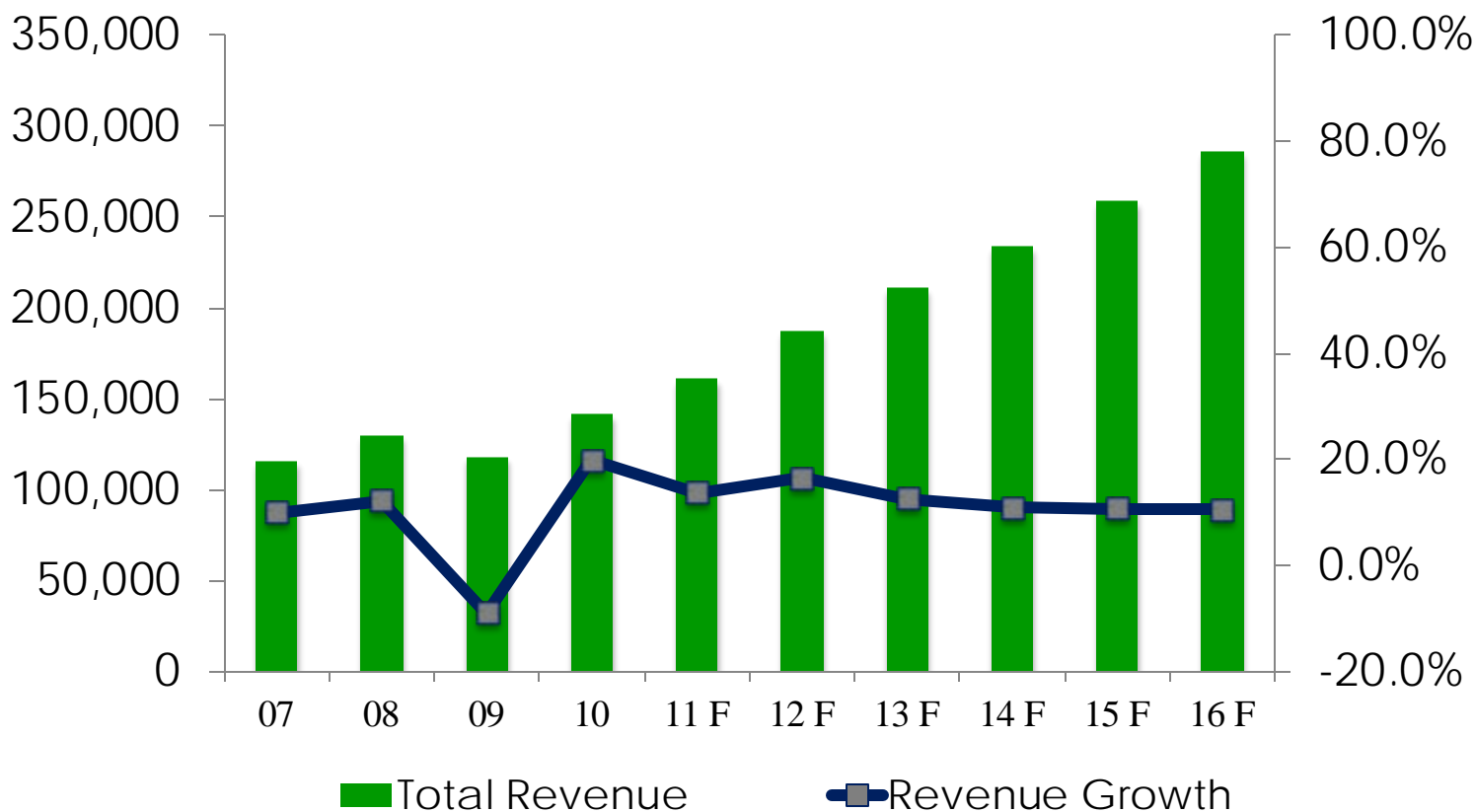


Source: Company release

Strong Sales Growth to continue from both store expansion
and average store sale growth

In thousand THB

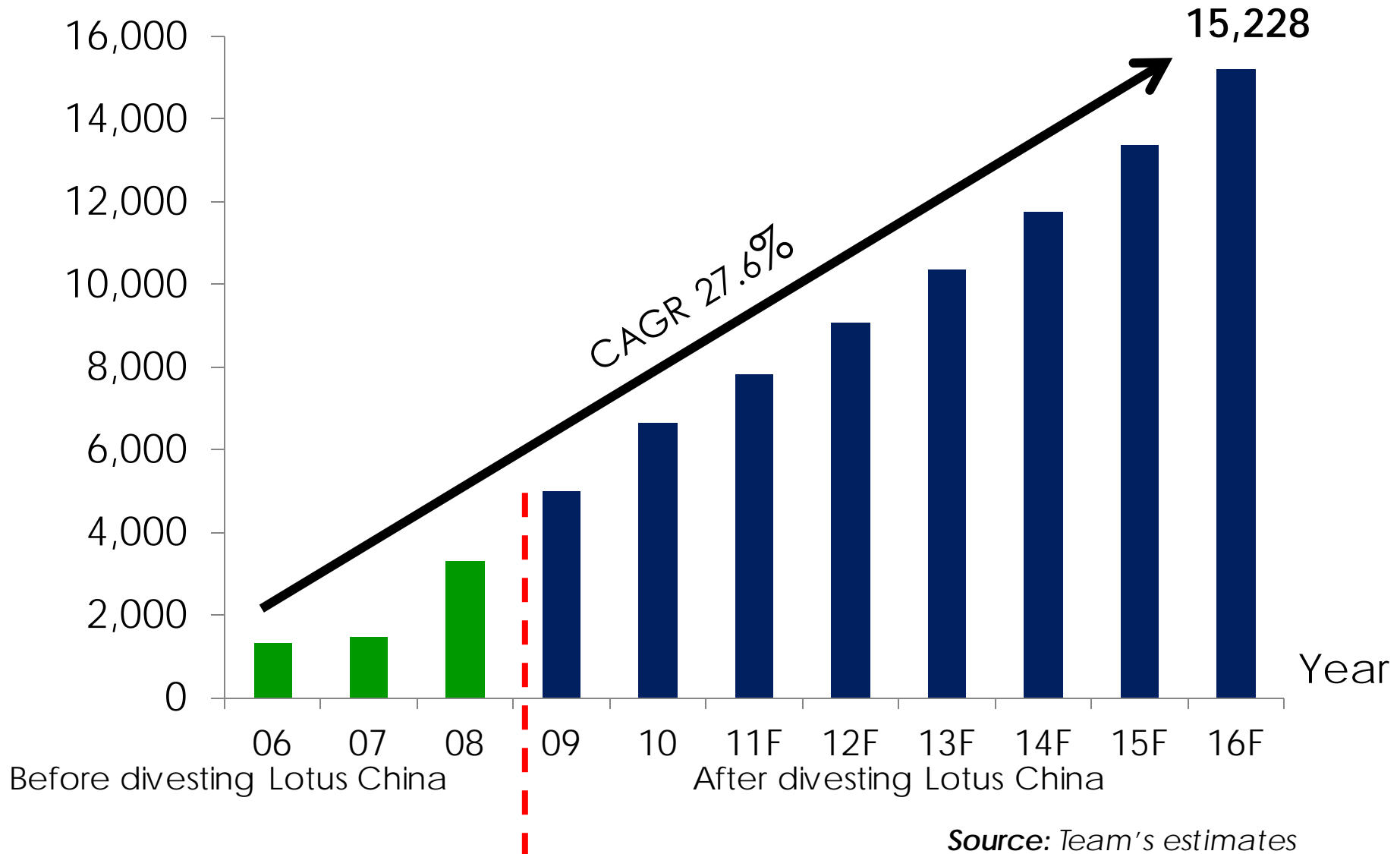
Percentage(%)



Source: Company release and Team's estimates

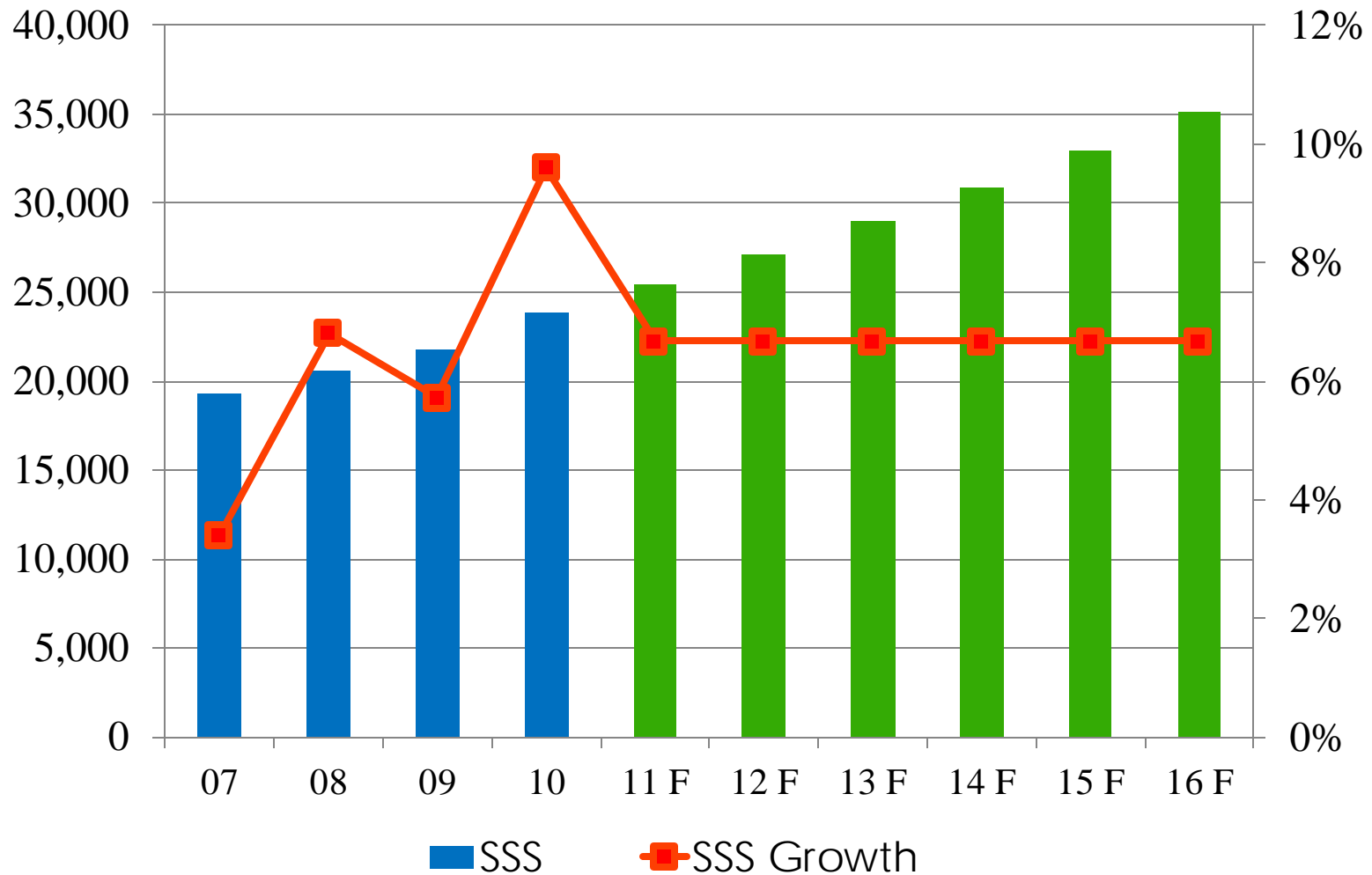
Unit: In Million Baht

Strong sustainable earnings growth



Thousand THB

SSS Growth



Source: Company release and Team's Estimates

Income Statement	2009A	2010A	2011F	2012F	2013F	2014F	2015F	2016F
REVENUES FROM SALE OF GOODS AND RENDERING OF SERVICES	112,377	134,954	155,360	177,359	200,766	223,488	247,979	274,763
Net Sales	109,430	132,015	152,210	174,209	197,616	220,338	244,829	271,613
Food Sale		96,239	110,809	126,824	143,864	160,406	178,236	197,734
Non Food Sale		35,776	41,401	47,385	53,752	59,932	66,594	73,879
Service income	2,947	2,939	3,150	3,150	3,150	3,150	3,150	3,150
Others Income	5,384	6,130	6,530	6,530	6,530	6,530	6,530	6,530
TOTAL REVENUES	117,761	141,084	161,890	183,889	207,296	230,018	254,509	281,293
Cost of sales	81,618	97,569	115,529	130,280	147,537	164,224	182,168	201,752
Cost of sales (food)			82,553	94,324	106,815	118,893	131,880	146,053
Cost of sales (non food)			31,465	35,955	40,722	45,331	50,288	55,699
Cost of service	1,100	1,268	1,333	1,333	1,333	1,333	1,333	1,333
Total cost of sales and services	82,718	98,837	116,862	131,613	148,870	165,557	183,501	203,085
SELLING AND ADMINISTRATIVE EXPENSES	28,005	32,722	34,032	38,314	42,852	47,176	51,790	56,791
TOTAL EXPENSES	110,971	131,926	150,895	169,926	191,722	212,733	235,291	259,876
PROFIT (LOSS) BEFORE FINANCE COSTS AND INCOME TAX EXPENSES	6,790	9,157	10,995	13,963	15,574	17,285	19,218	21,417
INCOME TAX EXPENSES	1,774	2,487	2,981	3,211	3,115	3,457	3,844	4,283
NET PROFIT (LOSS)	5,013	6,670	8,014	10,751	12,459	13,828	15,374	17,133
PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	4,992	6,663	8,008	10,741	12,447	13,815	15,360	17,117
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	21	6	6	10	12	13	15	16
Dividend		6,290	5,616	8,593	10,580	11,743	13,056	14,549

Income Statement (Common - Sized)	2009A	2010A	2011F	2012F	2013F	2014F	2015F	2016F
REVENUES FROM SALE OF GOODS AND RENDERING OF SERVICES	95%	96%	96%	96%	97%	97%	97%	98%
Net Sales	93%	94%	94%	95%	95%	96%	96%	97%
Food Sale	0%	68%	68%	69%	69%	70%	70%	70%
Non Food Sale	0%	25%	26%	26%	26%	26%	26%	26%
Service income	3%	2%	2%	2%	2%	1%	1%	1%
Others Income	5%	4%	4%	4%	3%	3%	3%	2%
TOTAL REVENUES	100%	100%	100%	100%	100%	100%	100%	100%
Cost of sales and services	70%	70%	72%	72%	72%	72%	72%	72%
Cost of sales (Food)	0%	0%	51%	51%	52%	52%	52%	52%
Cost of sales (Non food)	0%	0%	19%	20%	20%	20%	20%	20%
Cost of service	1%	1%	1%	1%	1%	1%	1%	0%
Total cost of sales and services	70%	70%	72%	72%	72%	72%	72%	72%
SELLING AND ADMINISTRATIVE EXPENSES	24%	23%	21%	21%	21%	21%	20%	20%
TOTAL EXPENSES	94%	94%	93%	92%	92%	92%	92%	92%
PROFIT (LOSS) BEFORE FINANCE COSTS AND INCOME TAX EXPENSES	6%	6%	7%	8%	8%	8%	8%	8%
FINANCE COSTS	0%	0%	0%	0%	0%	0%	0%	0%
INCOME TAX EXPENSES	2%	2%	2%	2%	2%	2%	2%	2%
NET PROFIT (LOSS)	4%	5%	5%	6%	6%	6%	6%	6%
PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	4%	5%	5%	6%	6%	6%	6%	6%

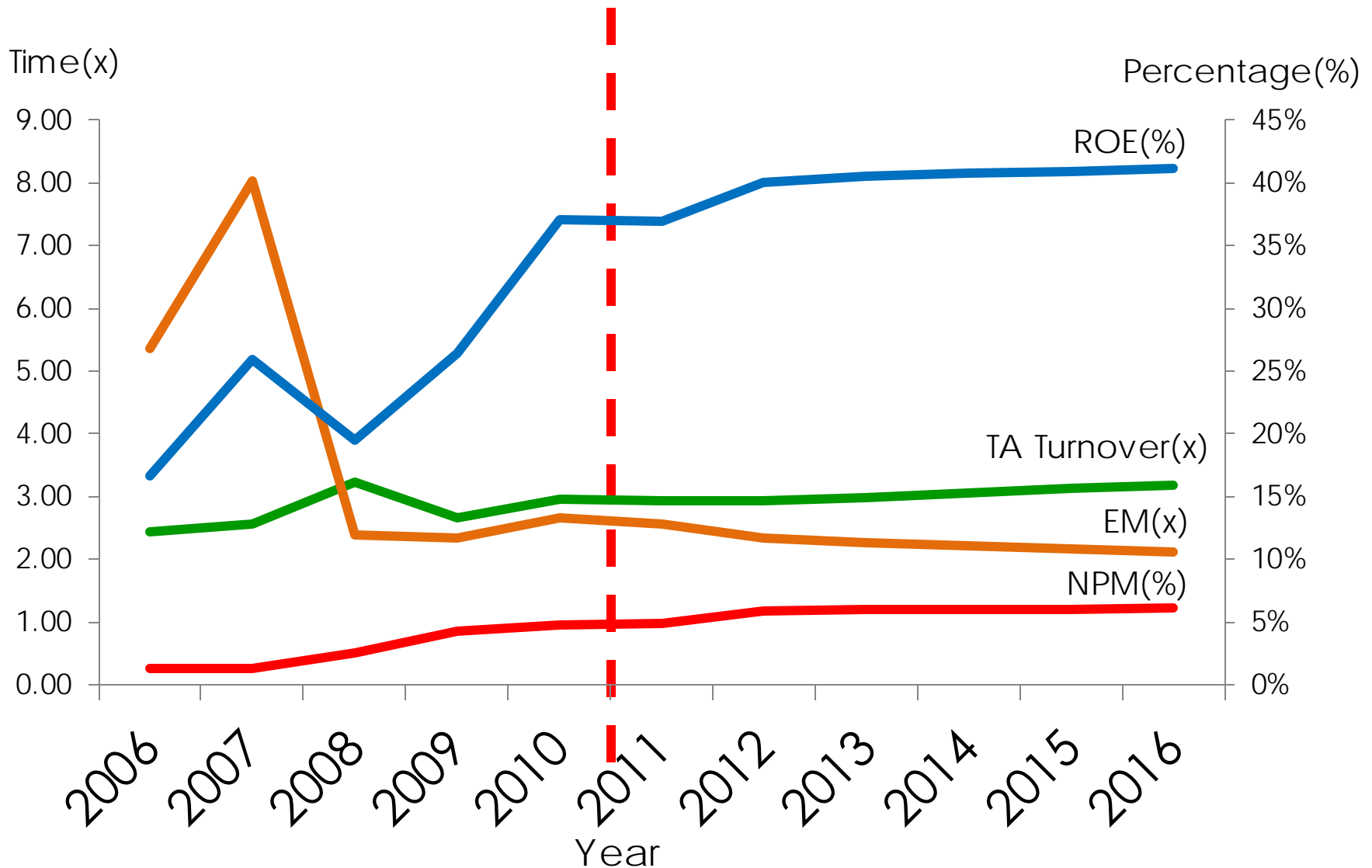
Balance Sheet (In M THB)	2009A	2010A	2011F	2012F	2013F	2014F	2015F	2016F
Assets								
Cash and Cash Equivalents	13,878	20,151	20,165	23,911	27,820	31,623	36,117	41,388
Receivable	439	474	541	633	715	795	882	977
Inventories	5,900	6,518	6,619	7,736	8,718	9,660	10,687	11,804
Others Current Assets	2,908	3,570	1,838	1,838	1,838	1,838	1,838	1,838
Current Assets	23,125	30,713	29,163	34,118	39,091	43,916	49,524	56,008
Long-Term Investments	5,871	691	1,750	1,750	1,750	1,750	1,750	1,750
Net PPE	13,826	14,825	16,106	17,147	18,086	18,913	19,615	20,183
Others Non-Current Assets	1,620	1,676	1,796	1,796	1,796	1,796	1,796	1,796
Total Assets	44,441	47,904	48,814	54,810	60,723	66,375	72,685	79,736
Liabilities and Shareholders' Equity								
Short-Term Borrowing	10	0	0	0	0	0	0	0
Accounts and Notes Payable	19,189	21,613	18,912	22,102	24,908	27,601	30,534	33,727
Others Current Liabilities	4,371	5,757	5,365	5,365	5,365	5,365	5,365	5,365
Total Current Liabilities	23,570	27,369	24,276	27,466	30,272	32,965	35,899	39,091
Long-Term Liabilities	0	0	0	0	0	0	0	0
Others Non-Current Liabilities	1,935	2,577	3,098	3,098	3,098	3,098	3,098	3,098
Total Liabilities	25,505	29,946	27,374	30,565	33,370	36,064	38,997	42,190
Shareholders Equity & Paid-Up Capital	6,177	6,177	6,177	6,177	6,177	6,177	6,177	6,177
Retain Earning	7,156	12,160	15,491	18,297	21,404	24,362	27,739	31,598
Others Components of Equity	5,603	-379	-229	-229	-229	-229	-229	-229
Total Equity	18,937	17,958	21,440	24,246	27,352	30,311	33,688	37,546
Total Liabilities and Shareholder Equity	44,441	47,904	48,814	54,810	60,723	66,375	72,685	79,736

[illegible]

Statement of Cash Flow(In THB Mil)	2012F	2013F	2014F	2015F	2016F
Cash flow from operation					
Net Income	10,741	12,447	13,815	15,360	17,117
Depreciation and Amortization	3,530	3,794	4,045	4,294	4,543
Change in NOWC	1,398	1,634	1,481	1,546	1,648
Change in non - current liabilities	0	0	0	0	0
Change in other component of equity	0	0	0	0	0
Total cash from operation	15,669	17,875	19,340	21,200	23,308
Cash flow from investing					
CAPEX	-3,977	-3,349	-3,902	-3,484	-4,066
Short term investment	0	0	0	0	0
Long term Investment	0	0	0	0	0
Intangible and others asset	0	0	0	0	0
Total cash from investing	-3,977	-3,349	-3,902	-3,484	-4,066
Cash flow from financing					
Dividend paid	-5,616	-8,593	-10,580	-11,743	-13,056
Total cash from financing	-5,618	-8,593	-10,580	-11,743	-13,056
Net change in cash	6,074	5,934	4,858	5,973	6,187
Beginning cash	14,202	20,276	26,210	31,068	37,041
Ending Cash	20,276	26,210	31,068	37,041	43,228

Key Financial Ratio	2009A	2010A	2011A	2012F	2013F	2014F	2015F	2016F
Profitability								
Net Profit Margin	4%	5%	5%	6%	6%	6%	6%	6%
ROE	26%	37%	37%	40%	41%	41%	41%	41%
ROA	11%	14%	14%	17%	18%	18%	19%	19%
Gross Profit Margin	26%	27%	25%	26%	26%	26%	26%	26%
EBIT Margin	6%	6%	7%	8%	8%	8%	8%	8%
EBITDA Margin	8%	9%	9%	9%	9%	9%	9%	9%
Efficiency								
Total Asset Turnover (X)	2.6	2.9	2.9	2.9	3.0	3.1	3.1	3.2
Fixed Asset Turnover (X)	8.7	9.7	10.8	11.9	13.8	15.4	17.9	20.5
Collection Period (days)	1	1	2	2	2	2	2	2
Days in Inventory (days)	26	24	27	27	26	25	24	24
Payables Period (days)	86	81	77	75	73	71	69	68
Operating Cycle (days)	28	26	30	29	28	27	27	26
Cash Cycle (days)	-58	-55	-47	-46	-45	-44	-43	-41

Key Financial Ratio	2009A	2010A	2011A	2012F	2013F	2014F	2015F	2016F
Solvency Ratio (x)								
Debt to Equity	1.3	1.7	1.6	1.3	1.3	1.2	1.2	1.1
Int - Bearing Debt to Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity Ratio								
Current Ratio (X)	1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.6
Quick Ratio (X)	0.6	0.8	0.8	1.0	1.1	1.1	1.2	1.3
Cash Ratio (X)	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.2
Per Share (THB)								
EPS	1.11	1.48	1.78	2.39	2.77	3.07	3.42	3.81
Dividend per Share	0.80	1.40	1.25	1.91	2.35	2.61	2.91	3.24
Book Value per Share	4.21	4.00	4.83	5.97	6.83	7.55	8.35	9.26
Net Cash per Share	3.09	4.48	5.36	6.71	8.04	9.12	10.45	11.82
Growth								
SSS Growth	10%	10%	5%	7%	7%	7%	7%	7%
Store growth	10%	10%	8%	8%	5%	4%	4%	4%
Net Sales	-9%	20%	15%	14%	13%	11%	11%	11%
Net Operating Income	69%	35%	20%	27%	12%	11%	11%	11%
Net Profit	51%	33%	20%	34%	16%	11%	11%	11%



Source: Company release, Team's estimates

Regression

$$Y = a + bX_1$$

$$Y = a + bX_1 + cX_2$$

$$SSS = a + b(DSS)$$

$$SSS = a + b(GDP) + c(CPI)$$

Relationship between ASS&DSS are much more significant than other economic indicators

		Correlation	Adjusted R ²	Intercept Coefficient	t Stat	Variable Coefficient	t Stat
SSS	DSS	0.73	0.53	0.0087	1.59	0.4332	4.29
SSS	CPI	0.18	0.03	0.0163	1.94	-0.0949	-0.20
	GDP					0.2984	0.69

DSS CQGR	1.73%
Intercept	0.88%
DSS Coefficient	0.433
SSS Quarterly Growth	1.63%
SSS Annually Growth	6.67%

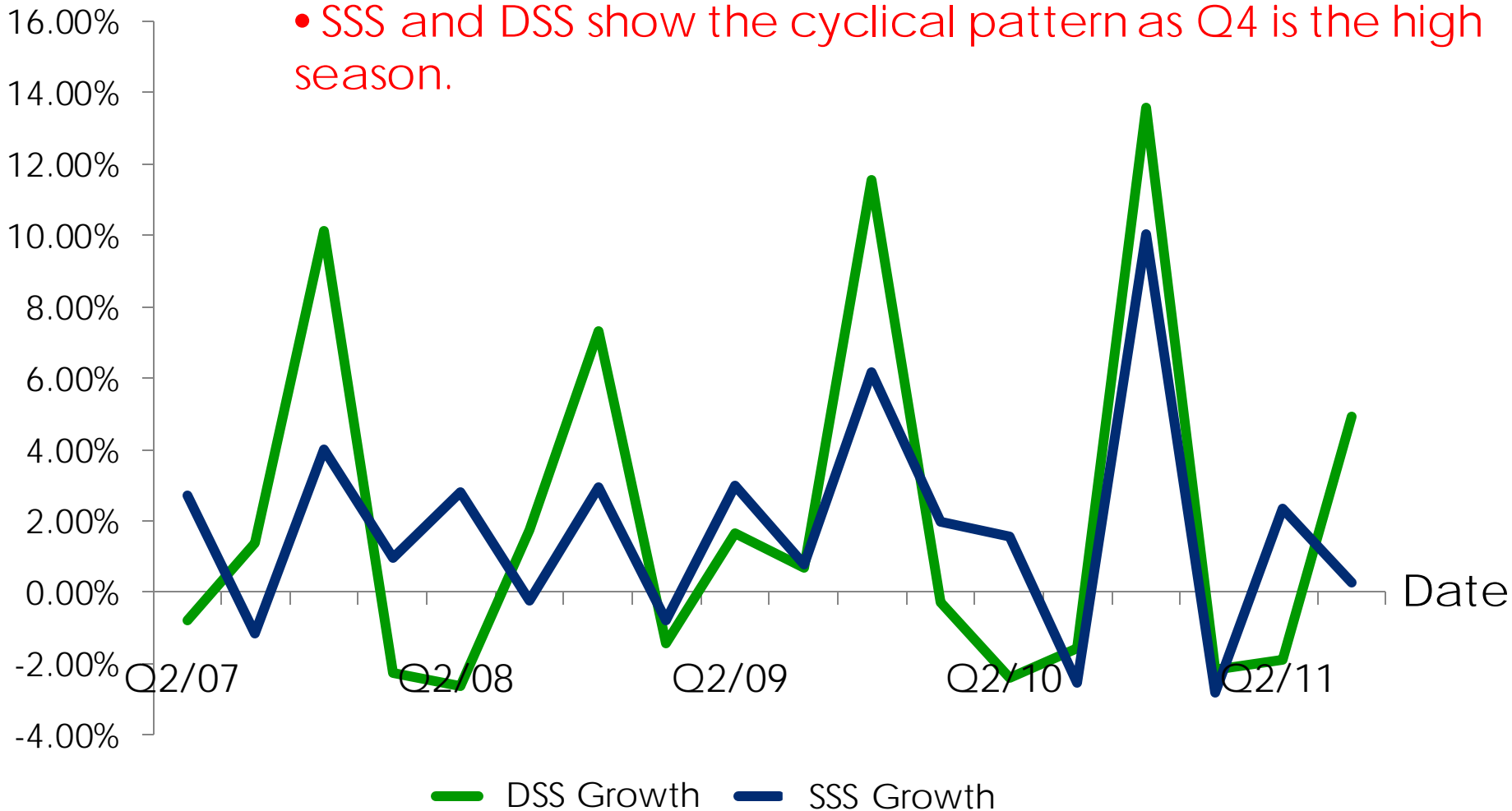
$$\text{SSS Quarterly Growth} \\ 0.88\% + 0.433(1.73) = 1.63\%$$

$$\text{SSS Yearly Growth} \\ (1.63\%)^4 = 6.67\%$$

$$\text{Net Sales} = \text{SSS} \times (\text{Average No. of Stores})$$

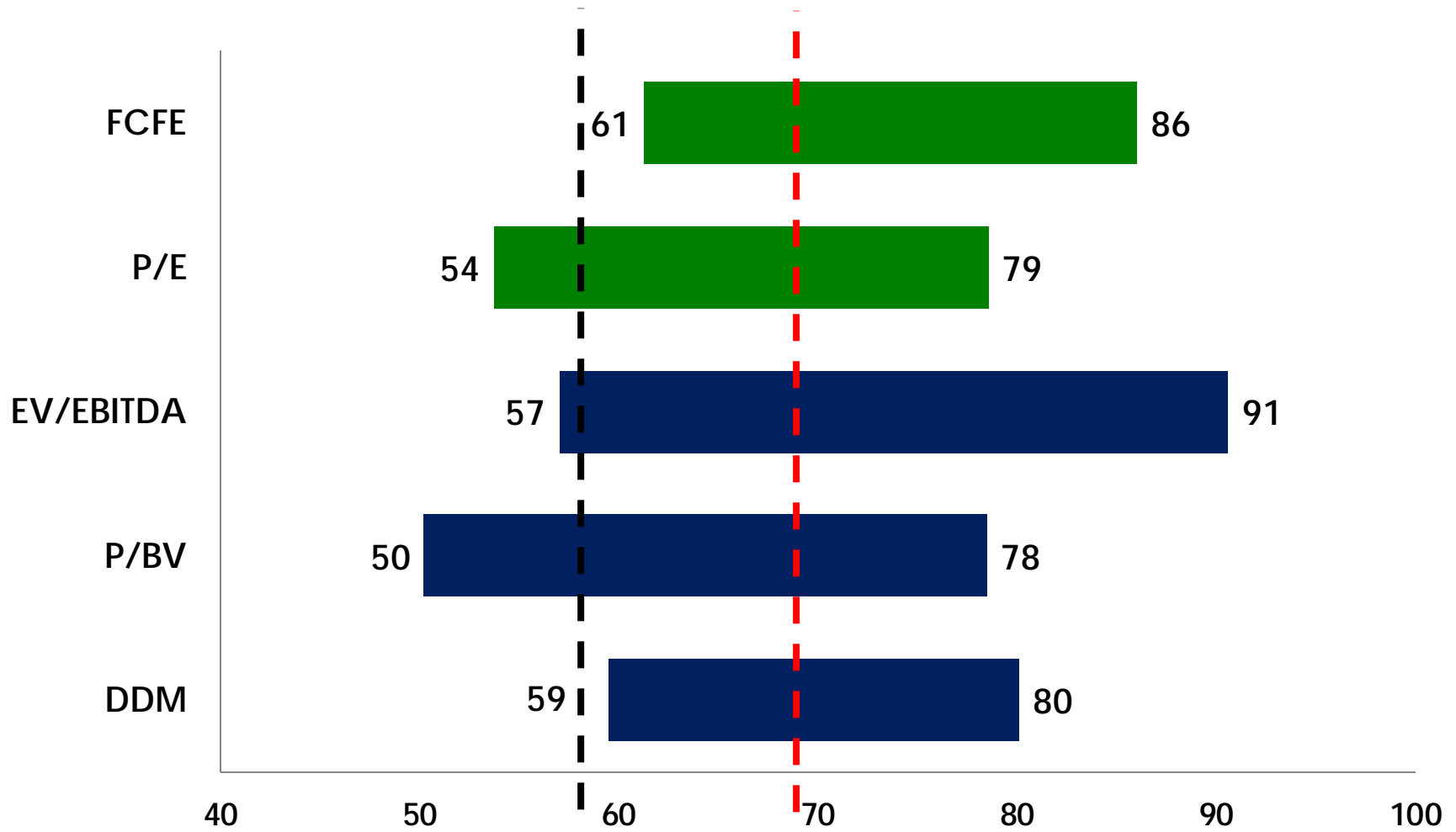
Percentage(%)

- SSS growth is less sensitive to DSS growth.
- SSS and DSS show the cyclical pattern as Q4 is the high season.



Source: Bank of Thailand and Team's estimate

Current Price = 58.5 THB Target Price = 69.72



Source: Team's estimates

FCFE	2012F	2013F	2014F	2015F	2016F
Cash flow from operation					
Net Income	10,741	12,447	13,815	15,360	17,117
Depreciation and Amorization	3,530	3,794	4,045	4,294	4,543
Change in NOWC	1,398	1,634	1,481	1,546	1,648
Net Capex	-3,977	-3,349	-3,902	-3,484	-4,066
Principal Repayment	-2	0	0	0	0
FCFE	11,690	14,527	15,439	17,716	19,243
FCFE growth		24.26%	6.28%	14.75%	8.62%
Terminal Value					406,195
CF	11,690	14,527	15,439	17,716	425,437
Ve	289,829				
Share outstanding (million)	4,493				
Price	71.22				
Ke	11.65%				
g	6.60%				
New store expand perpetuity	1.80%				
Cash per share	6.71				
5 YR	12.40				
Terminal Value	52.1062				

Expected Return(CAPM)

$$R_f + (R_m - R_f) * \beta_{Adj.}$$

Cost of Equity

10-Yr Risk Free Rate (%) – From 10 yrs
government bonds

3.24%

Expected Market Return

13.80%

Beta

0.65

Forecasted Beta (Adj.)

0.80

Cost of Equity

11.65%

Source: Team's estimates and Bloomberg

Institutional investors = 65%

Free float = 35%

CP Group = 45%

Institutional
investor = 20%

Free float = 35%

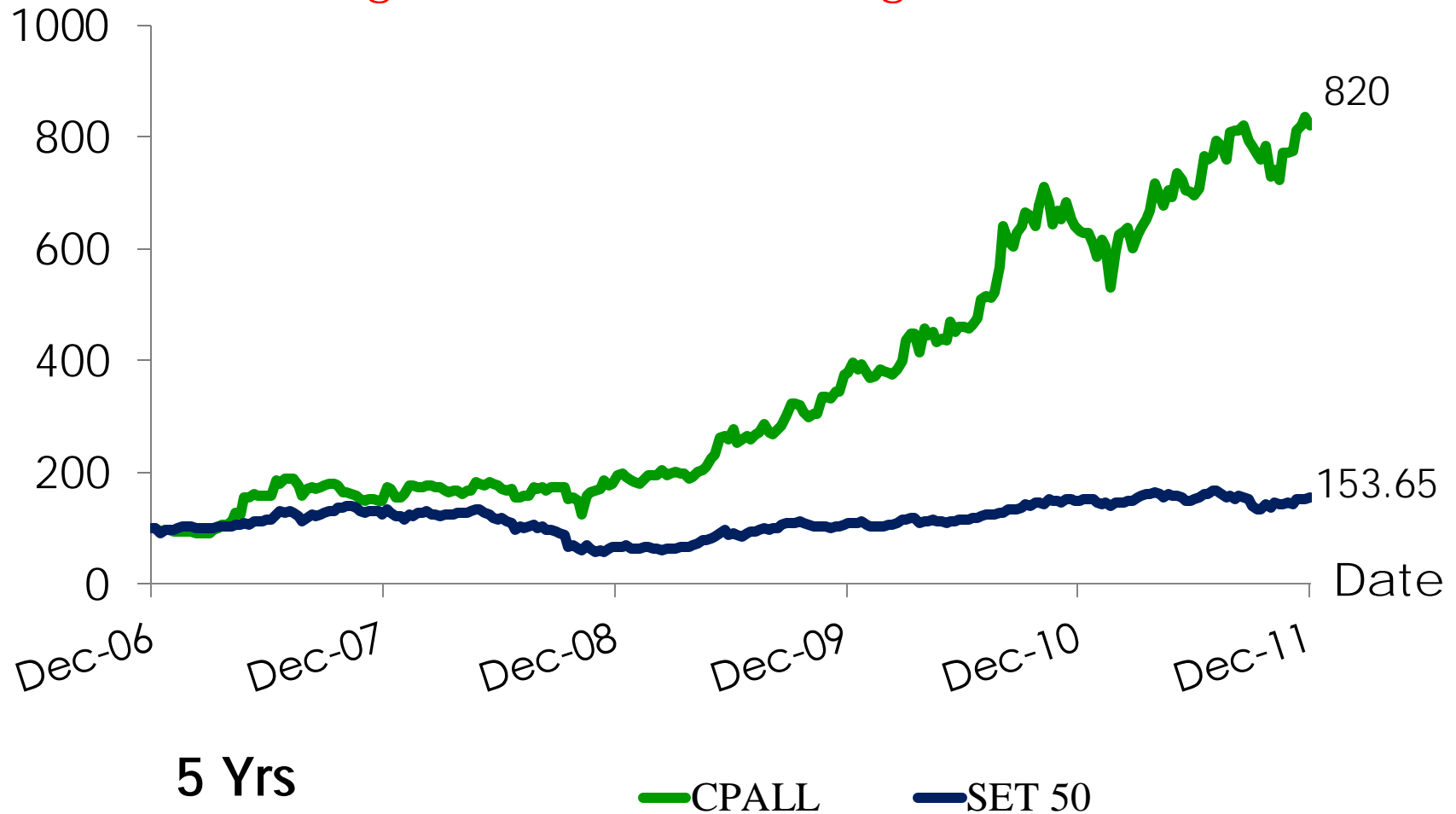
Insider holding = **0.07%**

Low agency cost → Same goal alignment between
management & shareholders

Insiders have a stake in holding company (CP Group)

Index Level

Over the last 5 years, CPALL has grown eightfold while SET50 has grown 1.5 times



Source: Bloomberg

CPALL is in on an uptrend – higher lows



Source: <http://www.businessweek.com>

CPALL presented the highest Sharpe ratio vs. other defensive consumer product companies

Stock	3 Yrs Avg Annual Return(%)	Avg. Daily Volume	Sharpe Ratio	PEG Ratio
CPALL	69.42%	417.70	2.53	1.1
PB	72.59%	0.87	2.39	9.37
TF	43.13%	2.00	1.63	N.A.
SPC	23.40%	0.09	1.78	0.79
BIGC	51.24%	95.90	1.69	1.98
MAKRO	64.00%	50.10	2.27	1.12

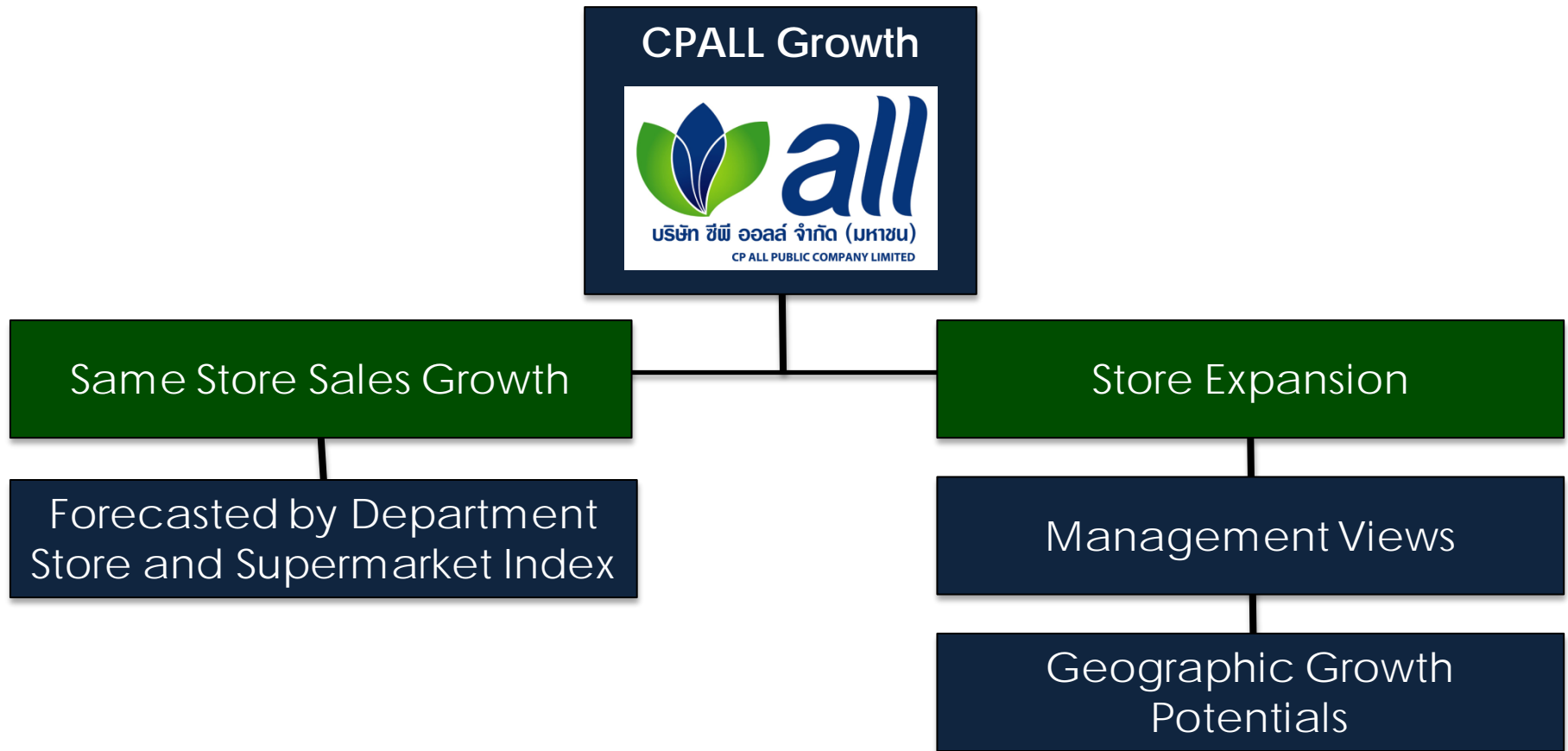
Note: Using 5-years data

Source: Bloomberg

CPALL presented the highest Sharpe ratio among all defensive stock

Stock	3 Yrs AvgAnnual Return(%)	Avg. Daily Volume (million THB)	Sharpe Ratio	PEG Ratio
CPALL	69.42%	417.70	2.53	1.1
PB	72.59%	0.87	2.39	9.37
TF	43.13%	2.00	1.63	N.A.
SPC	23.40%	0.09	1.78	0.79
BJC	102.25%	70.50	2.13	1.92
BIGC	51.24%	95.90	1.69	1.98
MAKRO	64.00%	50.10	2.27	1.12
ADVANC	37.88%	943.10	1.64	0.6
GLOW	42.20%	71.00	1.38	N.A.
RATCH	6.77%	45.30	0.65	N.A.
BEC	33.94%	103.60	1.44	1.28
MCOT	37.73%	22.30	1.59	0.33
EGCO	17.79%	56.90	1.35	N.A.
EASTW	39.83%	1.90	1.85	10.94.
BECL	9.71%	18.70	0.78	N.A.

Source: Bloomberg



CPALL: Push Cost Along Supply Chain

Various Suppliers

Small portion relative to
total purchase

Low negotiating power

High Pressure on Pricing



Provide "Convenience"

Differentiation: Food
Convenient Stores

No Price Competition

Secure High Margin

65% FCFE	35% P/E
<ul style="list-style-type: none"> Account for company's future growth Long-term perspective 	<ul style="list-style-type: none"> Account for Market sentiment Short-term perspective

Macro information leads to
"Bearish Market"

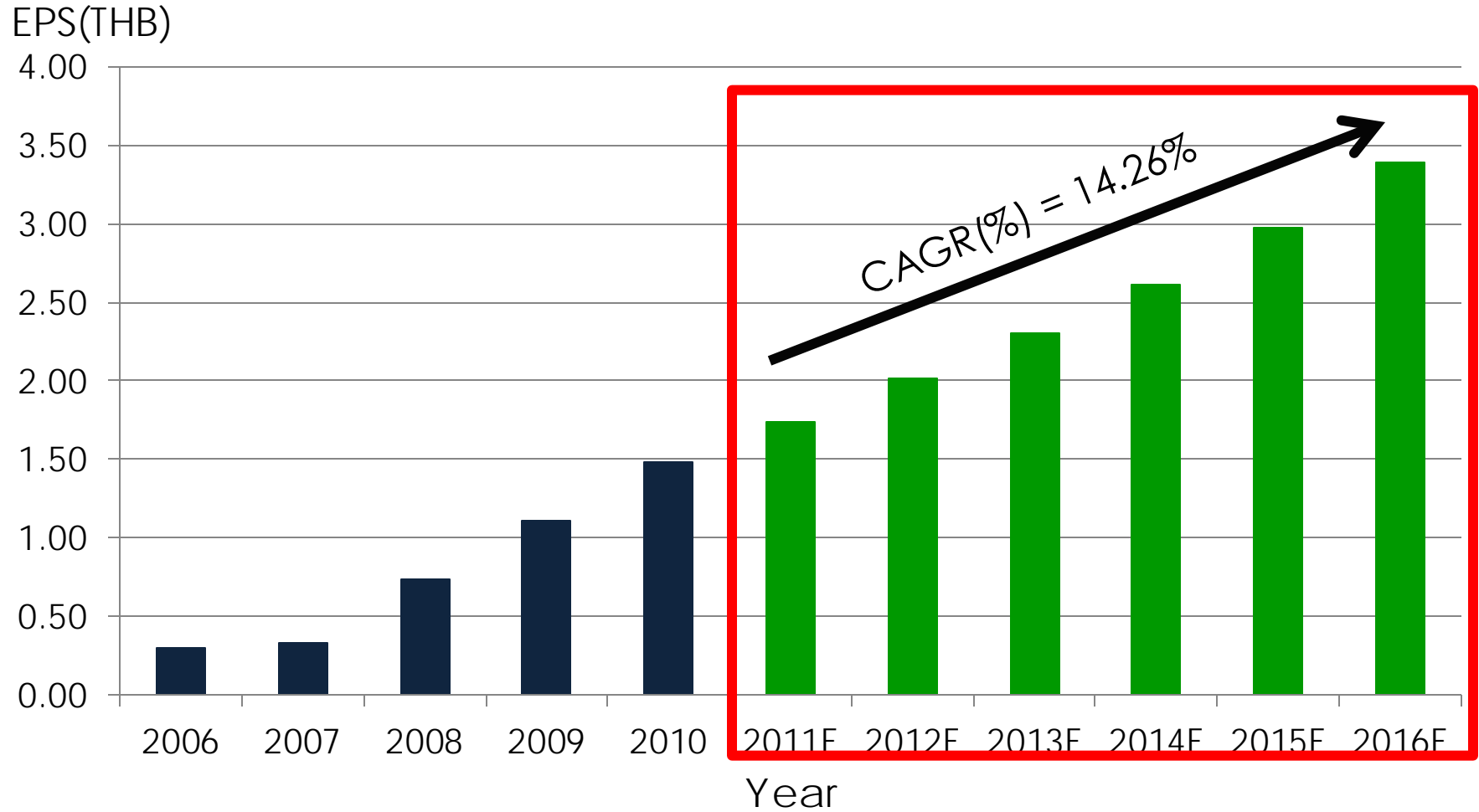
Weight more on " DCF → FCFE "

Institutional investors = 65%

Free float = 35%

Sensitivity Analysis		Growth		
		6.10%	6.60%	7.10%
Ke	11.15%	70.44	74.40	79.35
	11.65%	66.52	69.72	73.62
	12.15%	63.26	65.88	69.02

Source: Team's estimates









Source: Company release, Team's estimates

Index Level



Source: Bloomberg

Comparison Table between CPALL and Competitors

Dimension						
Number of Stores	6,206	541	44	661	1,200	700
Franchising System	High	--	--	Med	Low	Low
Distribution Channel	High	High	Med	Low	Low	Med
Bangkok Stores	High	Med	Low	Med	Low	Low
Provincial Stores	High	Low	--	Low	Med	Med
Brand Equity	High	High	High	Med	--	--
Financial Resources	High	High	High	Med	Low	Med



1Q11
Stamp promotion



2Q11
Drink promotion and
Special redemption



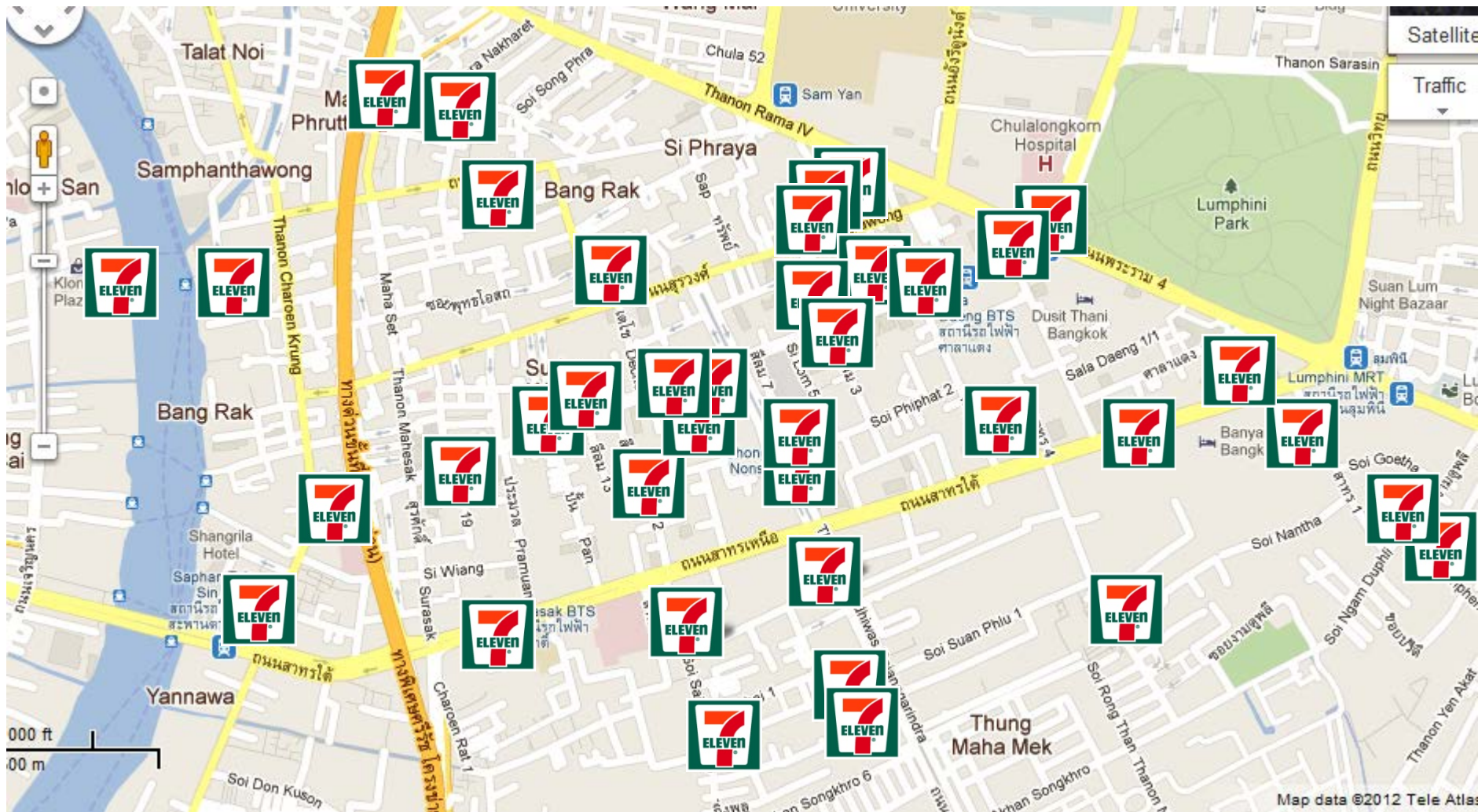
3Q11
Special menus during
vegetarian festival



3Q11
Special redemption

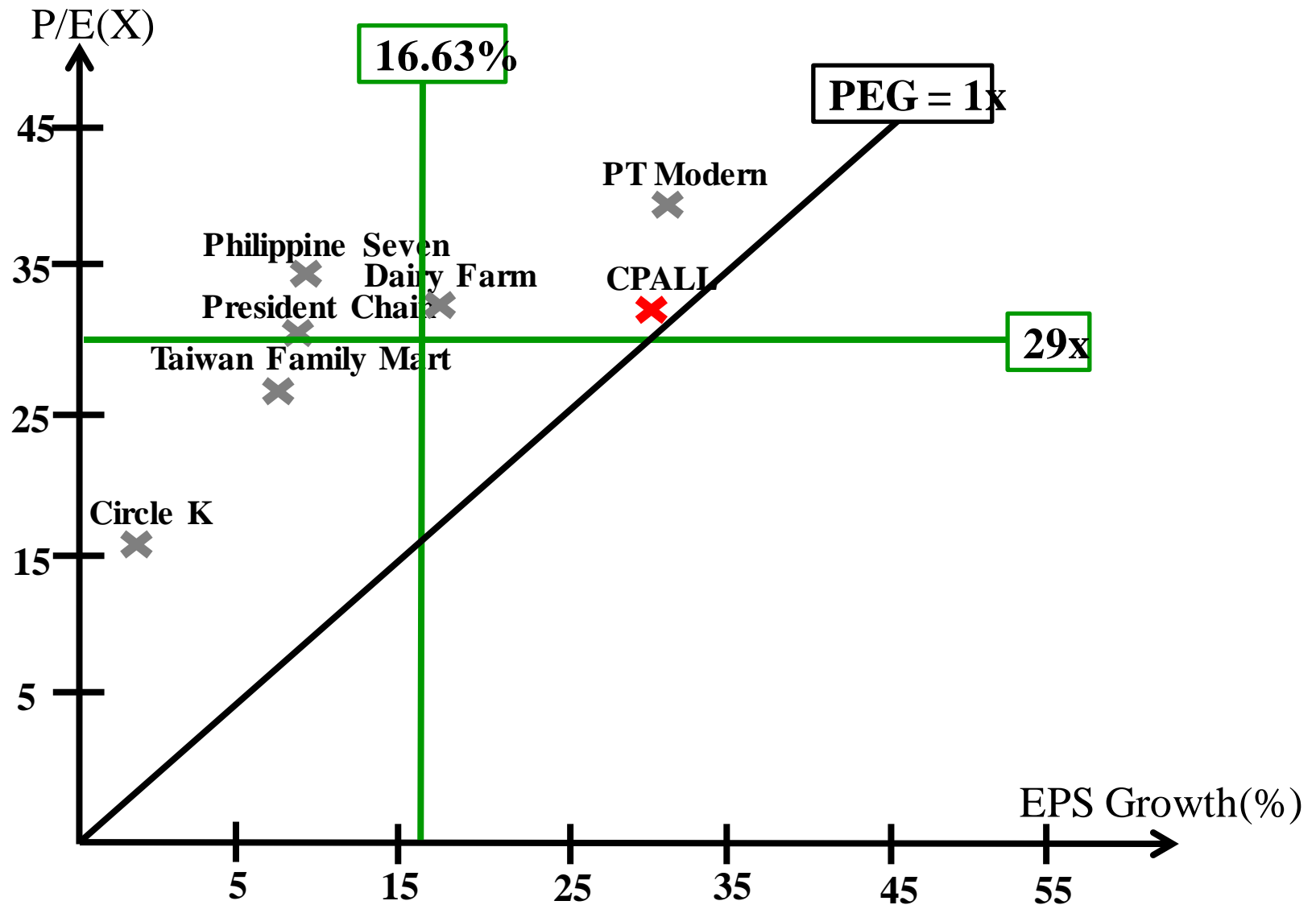
- In 1Q11** Doraemon stamp collections, during Nov 1, 2010 to Feb 25, 2011, gain a good market response.
Up to Baht 50/ticket, customers get a stamp valued of Baht 1 or Baht 3 that can be used for cash discount or exchange for a premium gift.
- In 2Q11** A wide selection of beverages are offered at a discount price
Every Baht 40 purchase, customers get a chance to redeem selected products at a special price
- In 3Q11** Vegetarian festival during Sep, 26- Oct 5, 2011, selected menus of vegetarian chilled foods, frozen foods and bakery products are offered at 7-Eleven store nationwide.
Up to Baht 40/ ticket, customers have a right to buy promotional items at a discount price of 10-30 Baht.

Case example: 7-11 in business center



50 stores within the area of business center → No cannibalization

Source: Google map



Retail stocks in Thailand are traded at premium

Stock	Market Cap (Million USD)	P/E Ratio	%ROA
CPALL	9,131	34.8	17.0
BIGC	4,163	23.9	6.1
MAKRO	2,391	27.6	10.0
Average	3,942	23.6	11.7

Source: Bloomberg

Value Dimensions

IRR	30% - 36%
Pay Back Period	3.1 years for 10-year contract
Qualitative Values	<ul style="list-style-type: none"> ▪ Brand equity ▪ Efficient supply chain management ▪ Technical support ▪ Knowledge and entrepreneurial training

Avg Daily Sales per Store (2011)	Discount Factor
Baht 82,265	15%
Income Statement (Million Baht)	
Sales	25.52
COGS	19.37
Gross Profit	6.15
To CPALL	2.89
Franchisee	3.26
Land Rent	0.72
Employee	0.97
Utilities	0.60
EBIT	0.97
Tax	0.12
NI	0.85



Growth 6.7% 6.7% 6.7% 6.7% 4.8% 4.8% 4.8% 4.8% 4.8%

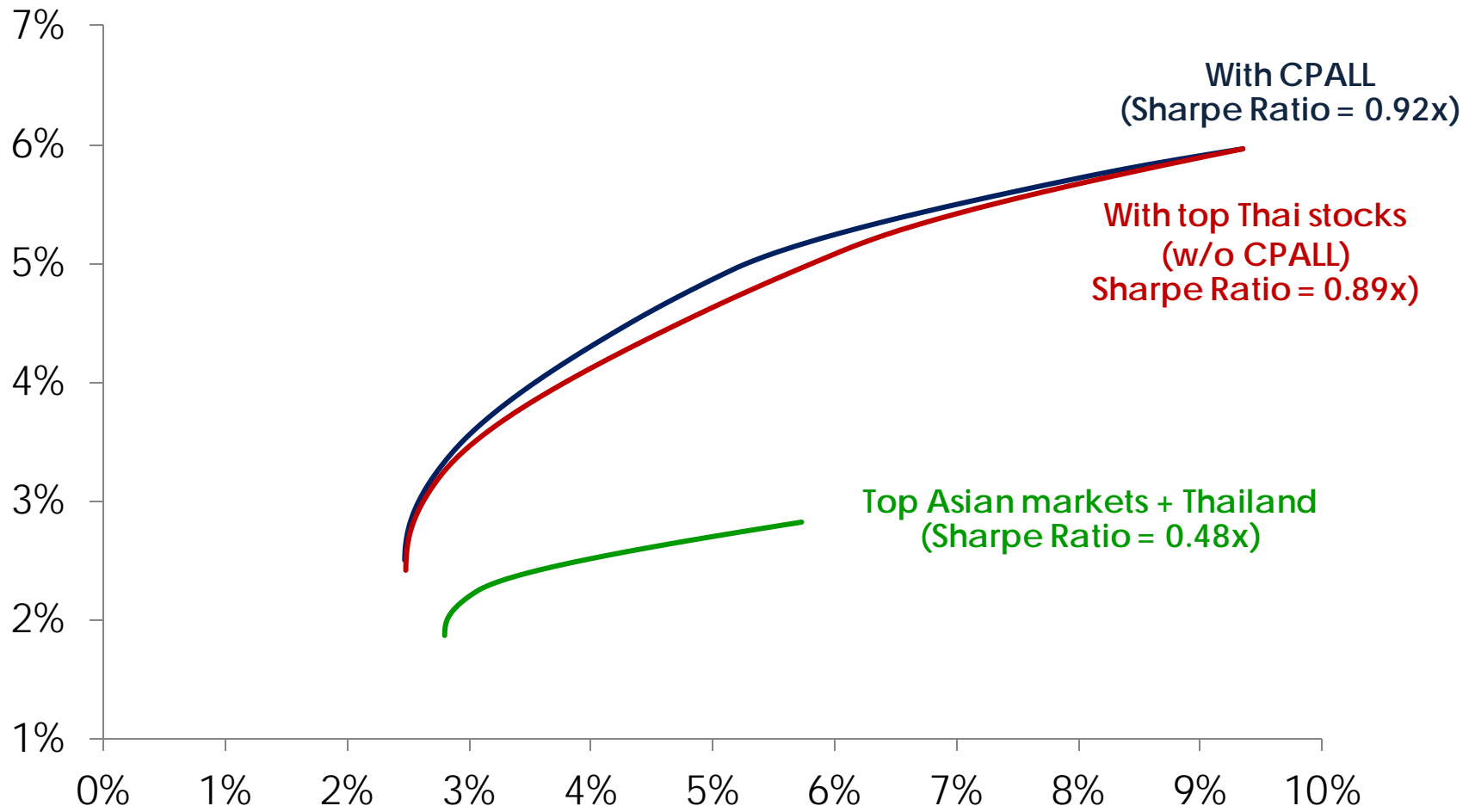
CF -2.63 0.85 0.90 0.96 1.03 1.10 1.15 1.21 1.26 1.32 2.48

IRR 36%

No Growth

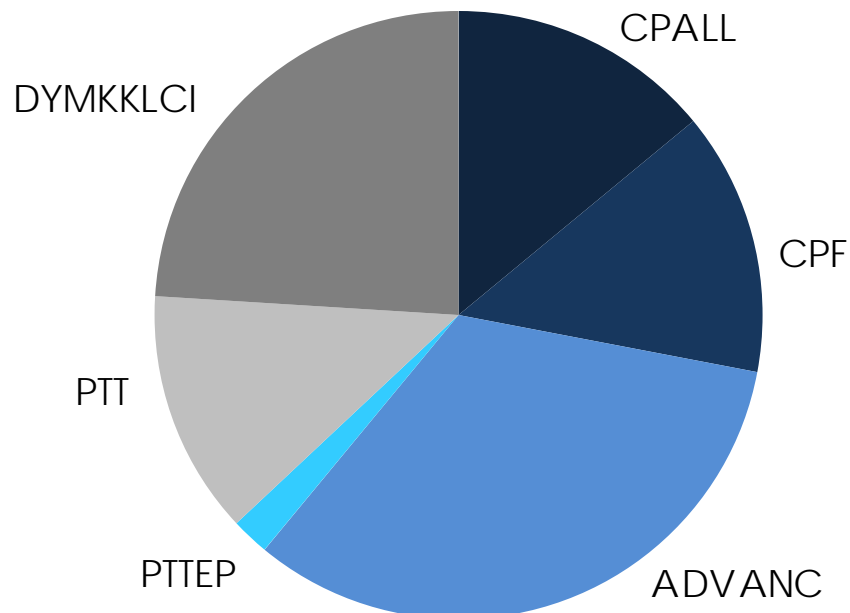
CF -2.63 0.85 0.85 0.85 0.85 0.85 0.85 0.85 0.85 0.85 1.94

IRR 31%



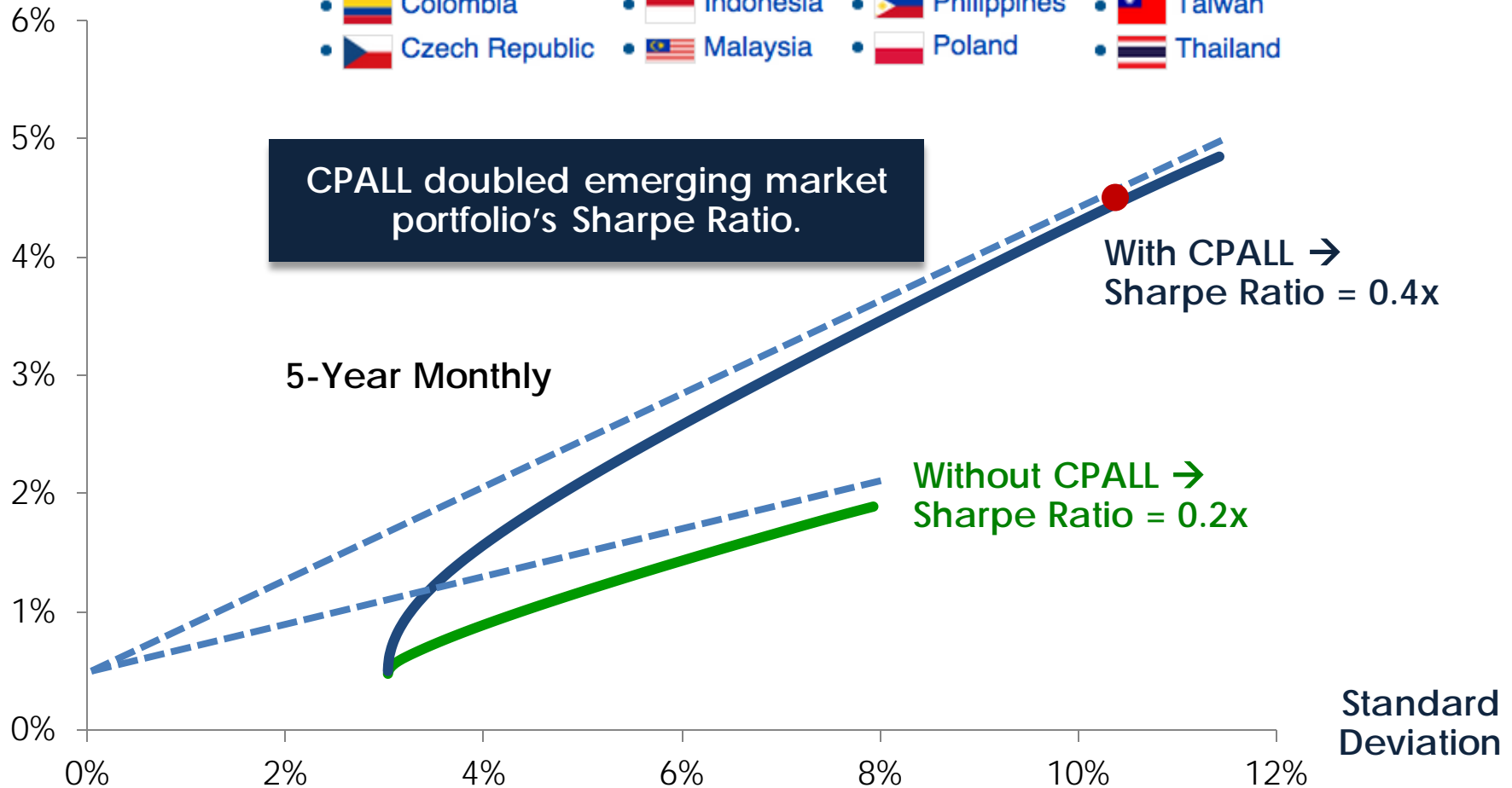
Portfolio Return	Portfolio Risk	Sharpe Ratio
3.15%	3.11%	92.29%

Portfolio Weights					
CPALL.TB	CPF.TB	ADVANC.TB	PTTEP.TB	PTT.TB	DYMKKLCI Index
14%	14%	33%	2%	13%	24%



Return(Monthly)

- | | | | | |
|-------------------|--------------|----------------|-----------------|-----------|
| • Brazil | • Egypt | • Mexico | • Russia | • Turkey |
| • Chile | • Hungary | • Morocco | • South Africa | |
| • China | • India | • Peru | • South Korea | |
| • Colombia | • Indonesia | • Philippines | • Taiwan | |
| • Czech Republic | • Malaysia | • Poland | • Thailand | |



Source: Bloomberg and team's estimates

Sharpe Ratio

