CP Axtra (CPAXT TB)

2Q26 Results Preview: Earnings Have Yet To Recover

Highlights

- We estimate 2Q26 earnings at Bt1.8b, down 20% yoy and 34% qoq, pressured by weaker performances in the wholesale and retail businesses.
- Earnings pressure is projected to persist in 3Q26, with improvement expected in 4Q26.
- We lower our 2026-27 earnings forecasts by 3.4% and 0.4% respectively.
- Maintain HOLD with a lower target price of Bt14.50 (from 14.80).

2Q26 Earnings Preview

Year to 31 Dec (Btm)	2Q25	1Q26	2Q26F	yoy (%)	qoq (%)
Sales and services	128,448	135,364	129,373	0.7	(4.4)
Gross profit	20,650	21,394	20,105	(2.6)	(6.0)
SG&A	17,023	17,418	17,397	2.2	(0.1)
EBIT	4,260	4,662	3,355	(21.2)	(28.0)
Interest expense	1,422	1,290	1,226	(13.8)	(5.0)
Core profit	2,337	2,664	1,840	(21.3)	(30.9)
Net profit	2,286	2,794	1,840	(19.5)	(34.1)
Percent	2Q25	1Q26	2Q26	(ppts)	(ppts)
Gross margin	16.1	15.8	15.5	(0.5)	(0.3)
SG&A to sales	13.3	12.9	13.4	0.2	0.6
EBIT margin	4.0	4.1	3.1	(0.9)	(1.0)

Source: CP Axtra

Analysis

- **2Q26 earnings expected to drop.** We expect CP Axtra's (CPAXT) 2Q26 earnings to come in at Bt1.8b, down 20% yoy and 34% qoq, pressured by weaker performance in both the wholesale and retail businesses. Key operating metrics were softer than expected due to negative SSSG, lower gross margins, and higher SG&A-to-sales. Operations in Malaysia, particularly Lucky Frozen and Lotus's Malaysia, remained key earnings supports, while the Thailand business continued to weaken.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	512,041.9	520,706.4	538,259.0	549,116.1	558,669.7
EBITDA	36,253.5	34,252.4	35,238.7	37,660.4	39,431.8
Operating profit	18,633.2	16,788.2	16,730.1	17,610.3	17,814.8
Net profit (rep./act.)	10,569.1	9,356.5	9,762.0	10,424.5	10,568.6
Net profit (adj.)	10,569.1	9,356.5	9,762.0	10,424.5	10,568.6
EPS	1.0	0.9	0.9	1.0	1.0
PE (x)	14.9	16.8	16.0	15.1	14.9
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	8.1	9.3	8.9	8.4	8.0
Dividend yield (%)	4.7	4.7	4.8	5.1	5.2
Net margin (%)	2.1	1.8	1.8	1.9	1.9
Net debt/(cash) to equity(%)	44.1	52.6	51.2	51.6	50.7
Interest cover (x)	6.3	6.4	6.9	7.3	7.6
Consensus net profit	n.a	n.a	10,025.7	10,838.5	11,751.0
UOBKH/Consensus (x)	n.a	n.a	0.9	1.0	0.9

Source: CP Axtra, Bloomberg, UOB Kay Hian

HOLD (Maintained)	
Share Price	Bt15.00
Target Price	Bt14.50
Upside	-3.33%
Previous TP	14.80

Analyst(s)
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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	CPAXT TB
Shares issued (m):	10,427.7
Market cap (Bt$m):	153,286.6
Market cap (US$m):	4,681.5
3-mth avg daily t'over (US$m):	14.0

Price Performance (%)

52-week high/low: Bt25.8/Bt14.0

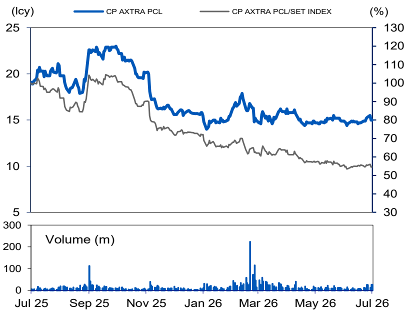
1mth	3mth	6mth	1yr	YTD
(7.6)	(4.6)	(24.6)	(41.8)	(6.4)

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)	14.8

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.

Essential

- **Wholesale business underperforms.** Operating profit is expected to decline yoy. SSSG is forecast at -1% yoy, pressured by weak performance in the international wholesale business, while Makro Thailand is expected to post a slightly positive SSSG. Gross margin is expected to contract due to a higher sales mix of lower-margin dry food products. SG&A-to-sales is expected to increase yoy, driven by higher energy costs, promotional expenses, and costs related to the business transformation. On a positive note, the full-quarter consolidation of Lucky Frozen should provide some earnings support.
- **Retail business remains weak.** Operating profit is expected to decline both yoy and qoq. We forecast 2Q26 SSSG at -3.5% yoy, mainly due to weak performance at Lotus's Thailand, as the Thai Help Thai Plus co-payment scheme shifted demand toward traditional trade, partly offset by continued strength at Lotus's Malaysia. Gross margin is expected to decline yoy due to higher energy costs. SG&A-to-sales is expected to increase yoy, reflecting negative operating leverage from weaker sales.
- **Earnings pressure to persist in 3Q26, with improvement expected in 4Q26.** We do not expect earnings to recover in 3Q26, as the company will face the full-quarter impact of the Thai Help Thai Plus co-payment scheme. In addition, The Happitat, which is scheduled to open in Aug 26, is expected to incur start-up losses. We expect earnings to recover in 4Q26, supported by the absence of the co-payment scheme's impact and a low base in 4Q25.

Valuation/Recommendation

- **Maintain HOLD with a lower target price of Bt14.50 (from Bt14.80).** Our target price is based on a 2026F PE of 15x, equivalent to -1.5SD to peers' five-year average and equal to -2SD to BJC five-year average. The current share price provides no upside to our target price.

Earnings Revision/Risk

- **Revise down earnings.** We revise down our earnings forecasts for 2026-27 by 3.4% and 0.4% respectively to reflect the weaker-than-expected SSSG and higher-than-expected SG&A expenses.
- **Risks:** Thai Help Thai Plus copayment scheme, lower gross margin.

Share Price Catalyst

- **Catalysts:** 4Q26 earnings recovery.

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.

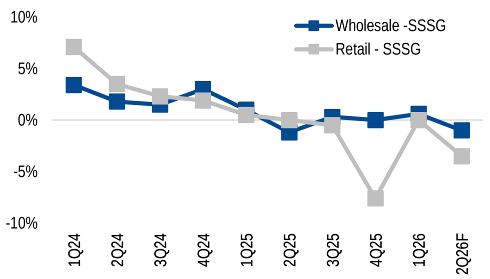
Social

- Supports SME development in its wholesale/retail ecosystem.

Governance

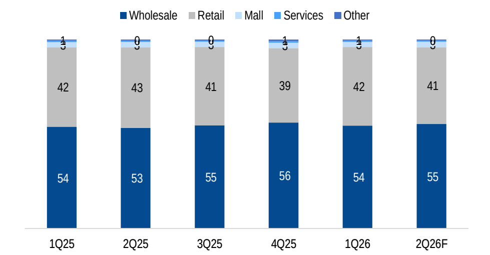
- Demonstrates strong corporate governance through transparent management practices and a well-structured board.

Same-Store Sales Growth



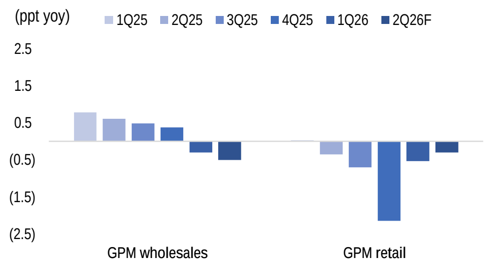
Source: CPAXT, UOB Kay Hian

Sales Contribution (%)



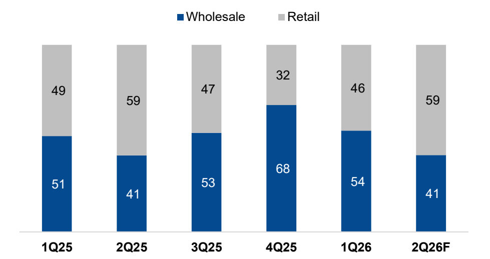
Source: CPAXT, UOB Kay Hian

Gross Margin Change



Source: UOB Kay Hian

EBIT Contribution (%)



Source: CPAXT, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	520,706	538,259	549,116	558,670
EBITDA	34,252	35,239	37,660	39,432
Deprec. & amort.	17,464	18,509	20,050	21,617
EBIT	16,788	16,730	17,610	17,815
Total other non-operating income	0	0	0	0
Associate contributions	580	754	762	769
Net interest income/(expense)	(5,398)	(5,102)	(5,132)	(5,162)
Pre-tax profit	11,970	12,382	13,240	13,422
Tax	(2,645)	(2,700)	(2,898)	(2,938)
Minorities	31	80	82	85
Net profit	9,356	9,762	10,425	10,569
Net profit (adj.)	9,356	9,762	10,425	10,569

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	15,260	13,476	16,179
Other current assets	59,817	49,769	53,254	51,808
Total assets	576,671	574,879	582,840	589,041
ST debt	37,257	37,257	37,257	37,257
Other current liabilities	93,988	91,611	95,431	97,849
LT debt	134,815	132,815	133,815	134,815
Other LT liabilities	10,224	10,530	10,846	11,172
Shareholders' equity	299,457	302,247	305,155	307,697
Minority interest	930	418	335	250
Total liabilities & equity	576,671	574,879	582,840	589,041

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	21,052	35,861	30,727	35,965
Pre-tax profit	11,970	12,382	13,240	13,422
Tax	(2,645)	(2,700)	(2,898)	(2,938)
Deprec. & amort.	17,464	18,509	20,050	21,617
Working capital changes	(5,648)	7,591	253	3,780
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)	(9,404)	(6,517)	(7,027)
Dividend payments	(7,404)	(7,404)	(7,517)	(8,027)
Issue of shares	0	0	0	0
Proceeds from borrowings	21,248	(2,000)	1,000	1,000
Others/interest paid	(14,014)	0	0	0
Net cash inflow (outflow)	(4,903)	702	(1,785)	2,703
Beginning cash & cash equivalent	19,461	14,558	15,260	13,476
Ending cash & cash equivalent	14,558	15,260	13,476	16,179

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	6.6	6.5	6.9	7.1
Pre-tax margin	2.3	2.3	2.4	2.4
Net margin	1.8	1.8	1.9	1.9
Growth				
Net profit (adj.)	(11.5)	4.3	6.8	1.4
Leverage				
Debt to total capital	57.3	56.2	56.0	55.9
Debt to equity	57.5	56.3	56.1	55.9
Net debt/(cash) to equity	52.6	51.2	51.6	50.7
Interest cover	6.4	6.9	7.3	7.6