CP Axtra (CPAXT TB)

3Q26: Earnings Trough; Store Closures to Boost Profit

Highlights

- Upgrade to BUY, with a higher target price of Bt17.00 (from Bt14.50).
- CPAXT reported a 3Q26 net loss of Bt563m. Excluding one-off expenses, core profit came in at Bt1.65b, down 11% yoy but above our expectation by 7%.
- Management guided that the closure of 673 loss-making stores could reduce retail revenue by 6%, but save Bt400m–500m in quarterly EBIT.
- 3Q26 marks an earnings trough, with a recovery in 4Q26 driven by the closure of non-performing stores, a softer impact, and a low base in 4Q25.

3Q26 Results

Year to 31 Dec (Btm)	3Q25	2Q26	3Q26	yoy (%)	qoq (%)	2025	2026F	yoy (%)
Sales and services	126,475	131,283	129,564	2.4	(1.3)	517,802	529,316	2.2
Gross profit	20,342	20,853	21,107	3.8	1.2	83,265	85,103	2.2
SG&A	(17,470)	(18,253)	(21,250)	21.6	16.4	(69,381)	(72,876)	5.0
Other income	545	1,001	797	46.4	(20.3)	2,905	3,780	30.1
EBIT	3,417	3,600	654	(80.8)	(81.8)	16,788	14,112	(15.9)
Interest expense	(1,211)	(1,323)	(1,401)	15.7	5.9	(5,398)	(5,506)	2.0
Tax	(523)	(626)	(74)	(85.9)	(88.2)	2,645	2,324	(12.2)
Extraordinary items	0	0	2,217	N.A.	N.A.	0	2,217	N.A.
Net profit	**1,864**	**1,874**	**(563)**	**(130.2)**	**(130.1)**	**9,356**	**7,207**	**(23.0)**
Core profit	**1,864**	**1,874**	**1,653**	**(11.3)**	**(11.8)**	**9,356**	**9,424**	**0.7**
Percent	**3Q25**	**2Q26**	**3Q26**	**(ppts)**	**(ppts)**	**2025**	**2026F**	**(ppts)**
Gross margin	16.1	15.9	16.3	0.21	0.4	16.1	16.1	(0.0)
SG&A to sales	(13.8)	(13.9)	(16.4)	(2.6)	(2.5)	(13.4)	(13.8)	(0.4)

Source: CP Axtra, UOB Kay Hian

Analysis

- **Results in line.** CP Axtra (CPAXT) reported 3Q26 net loss of Bt563m. Excluding one-off expenses, core profit came in at Bt1.65b, down 11% yoy and 12% qoq. This exceeded our expectation by 7% due to higher-than-expected other income following an increase in data monetisation income. One-off items in 3Q26 before tax totalled Bt2,736m. These include: a) Bt100m loss from Makro Cambodia store closure, b) Bt600m loss from the write-off of outdated assets of software and IT devices, c) Bt42m in acquisition-related expenses for The Food Purveyor (TFP), d) Bt100m from the restructuring of Lotus' headquarters, and e) Bt1,894m loss from the closure of 673 Lotus' Go Fresh stores, including asset write-offs, closure costs and employee expenses.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	512,041.9	520,706.4	533,095.6	549,553.8	561,436.2
EBITDA	36,253.5	34,252.4	32,620.8	38,181.1	40,380.8
Operating profit	18,633.2	16,788.2	14,112.2	18,131.0	18,763.8
Net profit (rep./act.)	10,569.1	9,356.5	7,207.5	10,305.6	10,779.9
Net profit (adj.)	10,569.1	9,356.5	7,207.5	10,305.6	10,779.9
EPS	1.0	0.9	0.7	1.0	1.0
PE (x)	14.1	15.9	20.7	14.5	13.8
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	7.8	9.0	9.5	8.1	7.6
Dividend yield (%)	5.0	5.0	3.7	5.3	5.6
Net margin (%)	2.1	1.8	1.4	1.9	1.9
Net debt/(cash) to equity(%)	44.1	52.6	52.7	52.1	50.9
Interest cover (x)	6.3	6.4	5.9	6.4	6.7
Consensus net profit	n.a	n.a	9,478.0	10,249.2	11,165.1
UOBKH/Consensus (x)	n.a	n.a	0.8	1.0	1.0

Source: CP Axtra, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Upgraded)

Share Price	Bt14.30
Target Price	Bt17.00
Upside	18.9%
Previous TP	Bt14.50

Stock Data

Sector	Consumer Staples
Bloomberg ticker	CPAXT TB
Shares issued (m)	10,427.7
Market cap (Btm)	148,072.8
Market cap (US$m)	4,403.8
3-mth avg daily t'over (US$m)	3.0

Price Performance (%)

52-week high/low				Bt23.0/Bt14.0
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(4.0)	(8.4)	(10.7)	(38.0)	(9.6)

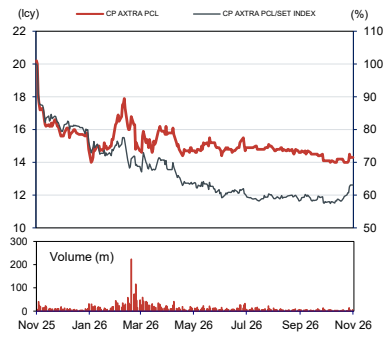
Major Shareholders (%)

CP ALL	34.92
MAKRO	25.01
CHAROENPOKPHAND HOLDING	15.96

Balance Sheet Metrics

CP ALL	34.92
MAKRO	25.01
CHAROENPOKPHAND HOLDING	15.96

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.

- **3Q26 core operating performance remained weak.** 3Q26 core EBIT declined 15% yoy (wholesale: -8% yoy, retail: -27% yoy), mainly due to: a) weaker SSSG (wholesale: +1.4% yoy, retail: -5.6% yoy), b) lower wholesale gross margin from an unfavourable product mix, c) losses from The Happitat, d) higher SG&A from O2O-related costs, and e) a 6% qoq increase in interest expenses following The Happitat's commencement of operations and debt from the TFP acquisition.
- **Recovery ahead.** We expect 3Q26 to mark the earnings trough, with a recovery in 4Q26 driven by the closure of non-performing stores, a softer impact and a low base in 4Q25. Oct 26 SSSG grew 3-4% yoy for wholesale and above 10% yoy for retail, largely driven by a low base following IT disruptions in Oct 25. Together with lower retail SG&A from store rationalisation, we preliminarily expect a double-digit earnings growth in 4Q26.

Essential

- **Closure of Lotus' Go Fresh store to drive significant EBIT improvement.** CPAXT closed 673 loss-making stores, all of which had negative EBITDA. While management expects retail revenue to decline by 6%, it guides for quarterly EBIT savings of Bt400m–500m, which should boost 2027 net profit by Bt1.2–1.6b. We conservatively assume Bt900m in net profit, below management's guidance. The closed stores were small-format outlets (100-200sqm) with limited competitiveness against peers operating larger formats. Going forward, CPAXT plans to focus on larger stores (400–500sqm) with a wider product assortment that offer improved shopping experience through an enhanced store look and feel.

Valuation/Recommendation

- **Upgrade to BUY with a target price of Bt17.00 (from Bt14.50).** We re-rate our PE valuation to 17x, equivalent to -1.0SD to peers' five-year average PE. We believe 3Q26 marks an earnings trough, supporting our upgrade to BUY.
- **2027 earnings recovery to gain momentum.** We forecast core profit of Bt10,306m (+7% yoy), supported by: a) stable operations, b) Bt900m in savings from store closures, and c) Bt200m in earnings contributions from TFP, partly offset by a full-year loss of Bt700m from The Happitat.

Earnings Revision/Risk

- **Fine-tune earnings.** We cut 2026 net profit by 3.8% due to a larger-than-expected 3Q26 net loss, while raising 2027 net profit by 1.6%.

Share Price Catalyst

- The closure of 673 loss-making Lotus Go Fresh stores in 3Q26.
- The acquisition of TFP.

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.

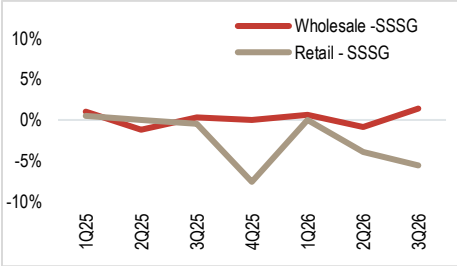
Social

- Supports SME development in its wholesale/retail ecosystem.

Governance

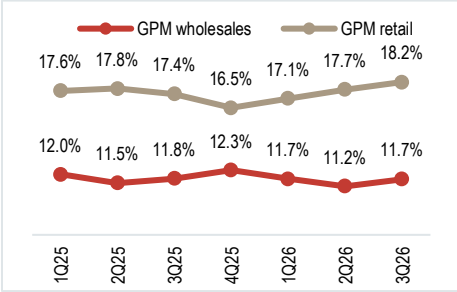
- Demonstrates strong corporate governance through transparent management practices and a well-structured board.

Same-store Sales Growth



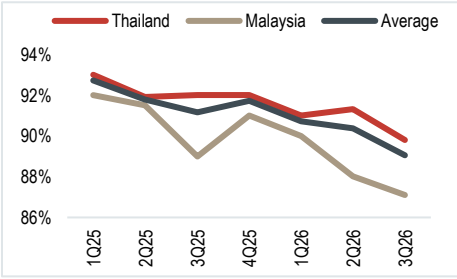
Source: CP Axtra, UOB Kay Hian

Gross Margin



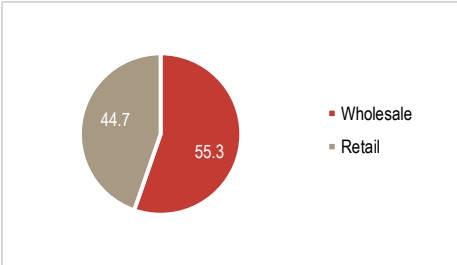
Source: CP Axtra, UOB Kay Hian

Mall Occupancy Rate



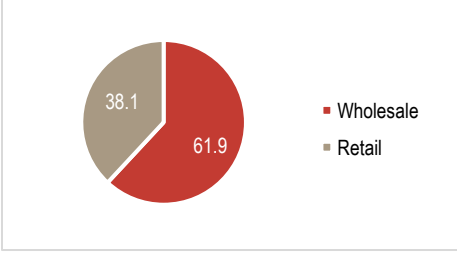
Source: CP Axtra, UOB Kay Hian

2026 Revenue Contribution (%)



Source: CP Axtra, UOB Kay Hian

2026 EBIT Contribution (%)



Source: CP Axtra, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	**520,706**	**533,096**	**549,554**	**561,436**
EBITDA	34,252	32,621	38,181	40,381
Deprec. & amort.	17,464	18,509	20,050	21,617
EBIT	16,788	14,112	18,131	18,764
Total other non-operating income	0	0	0	0
Associate contributions	580	725	732	740
Net interest income/(expense)	(5,398)	(5,506)	(5,971)	(6,006)
Pre-tax profit	**11,970**	**9,331**	**12,892**	**13,498**
Tax	(2,645)	(2,324)	(2,797)	(2,934)
Minorities	31	200	210	216
Net profit	**9,356**	**7,207**	**10,306**	**10,780**
Net profit (adj.)	9,356	7,207	10,306	10,780

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	33,251	34,050	34,868
Cash/ST investment	14,558	14,156	14,511	17,574
Other current assets	59,817	49,282	53,213	51,955
Total assets	**576,671**	**573,277**	**583,811**	**590,548**
ST debt	37,257	37,257	37,257	37,257
Other current liabilities	93,988	90,683	95,356	98,139
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	299,693	304,449	307,293
Minority interest	930	298	88	129
Total liabilities & equity	**576,671**	**573,277**	**583,811**	**590,548**

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	**21,052**	**32,746**	**30,887**	**36,221**
Pre-tax profit	11,970	9,331	12,892	13,498
Tax	(2,645)	(2,324)	(2,797)	(2,934)
Deprec. & amort.	17,464	18,509	20,050	21,617
Working capital changes	(5,648)	7,150	660	3,956
Non-cash items	133	80	82	85
Other operating cashflows	(223)	0	0	0
Investing	**(25,786)**	**(25,744)**	**(25,983)**	**(26,223)**
Capex (growth)	(37,318)	(25,269)	(25,500)	(25,731)
Investments	(181)	(290)	(293)	(296)
Others	11,714	(185)	(191)	(196)
Financing	**(169)**	**(7,404)**	**(4,550)**	**(6,935)**
Dividend payments	(7,404)	(7,404)	(5,550)	(7,935)
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)**	**(402)**	**354**	**3,063**
Beginning cash & cash equivalent	**19,461**	**14,558**	**14,156**	**14,511**
Ending cash & cash equivalent	**14,558**	**14,156**	**14,511**	**17,574**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	6.6	6.0	6.9	7.1
Pre-tax margin	2.3	1.7	2.4	2.4
Net margin	1.8	1.4	1.9	1.9
Growth				
Net profit (adj.)	(11.5)	(18.2)	33.3	1.8
Leverage				
Debt to total capital	57.3	57.3	56.8	56.7
Debt to equity	57.5	57.3	56.8	56.7
Net debt/(cash) to equity	52.6	52.4	52.2	51.2
Interest cover	6.4	6.2	7.1	7.4

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