

BERLI JUCKER

THAILAND / COMMERCE

BJC TB**BUY**

Improving sentiment all around

- SSSG showed a strong recovery in Sep at c4-5%. Despite this, 2024 core profit should decrease by 6% y-y.
- Key drivers include: 1) launching new products; 2) raw material costs remaining low; and 3) focus on fresh food and private labels.
- Reinitiate coverage with a BUY call and a 2025 DCF-TP of THB31.

Tough story has passed

After the early-year decline in stock price, as the anticipated tax benefit from Big C was not realized, BJC's tax rate increased to 20-25% vs 8% in 2023. The stock price has already factored in this change. In terms of operating profit (EBIT), we expect 2024 to see growth of c11%, driven by a 3% increase from sales and an improvement in the gross margin by c70bps y-y to 20.1%, boosted by new product launches across all supply chains and cost saving plans. Moreover, Big C's increased focus on fresh food should improve both sales and the gross margin.

Recovery of SSSG in Aug and Sep

We saw signs of a recovery in SSSG in Aug and Sep, which turned positive after a decline of 1-3% in July. In Sep, SSSG notably improved by 4-5%, supported by the government's THB10,000 economic stimulus policy, which boosted sales toward the end of the month. We estimate BJC's 3Q24 SSSG to be positive in the range of 1-3%.

Positive outlook in 2025, expect core profit grow by 16%

In 2H24, BJC plans to launch new products in the packaging and consumer segments. Meanwhile, the H&TSC should deliver more in medical equipment following the budget disbursement, and modern retail should continue its store expansion and renovation plans. Additionally, there is a focus on increasing sales in fresh foods and private labels, which would support gross margin growth. We estimate the 2024 core profit to dip by 6% y-y due to higher interest and tax expenses, while the 2025 core profit should grow by 16% y-y, driven by increased sales and margins, as well as reduced interest rates and a return to a normal tax rate of 20%. We forecast 2025-26 core profit growth at an 11% CAGR.

Reinitiate coverage with a BUY call at our 2025 TP of THB31

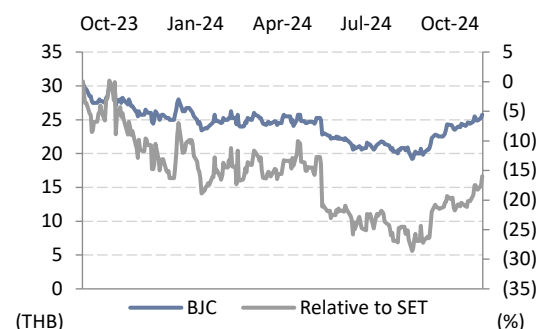
We reinitiate coverage of BJC with a BUY recommendation and a 2025 DCF-based TP of THB31, implying a forward P/E of 24.3x and a forward P/BV of 1.0x. BJC currently trades below its book value with a P/BV of 0.8x and a 2025E P/E of only 20x, which is lower than the commerce sector's average of 21.3x and below its five-year average of 31.8x. Additionally, the 2025 dividend yield is anticipated at 3.4%, higher than the sector's average of 2.5%. BJC is one of the targets of VAYU1, as it is in the SET50 and SETESG indices with a SET ESG rating of AA.

TARGET PRICE	THB31.00
CLOSE	THB25.75
UP/DOWNSIDE	+20.4%
TP vs CONSENSUS	+13.7%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	167,902	172,331	179,087	186,094
Net profit	4,795	3,858	5,109	5,447
EPS (THB)	1.20	0.96	1.27	1.36
vs Consensus (%)	-	(12.6)	(2.6)	(6.7)
EBITDA	20,608	22,260	23,621	25,051
Recurring net profit	4,710	4,419	5,109	5,447
Core EPS (THB)	1.18	1.10	1.27	1.36
EPS growth (%)	(6.0)	(6.2)	15.6	6.6

Core P/E (x)	21.9	23.4	20.2	18.9
Dividend yield (%)	3.1	2.5	3.3	3.5
EV/EBITDA (x)	13.2	12.4	12.0	11.6
Price/book (x)	0.9	0.9	0.8	0.8
Net debt/Equity (%)	128.5	129.3	131.2	133.0
ROE (%)	4.0	3.7	4.2	4.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.0	18.1	(16.3)
Relative to country (%)	4.1	7.5	(17.1)
Mkt cap (USD m)	3,082		
3m avg. daily turnover (USD m)	6.2		
Free float (%)	25		
Major shareholder	TCC Corporation (74%)		
12m high/low (THB)	30.75/19.20		
Issued shares (m)	4,007.80		

Sources: Bloomberg consensus; FSSIA estimates

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Investment thesis

BJC is one of Thailand's oldest companies providing an integrated supply chain with upstream, midstream, and downstream operations. Its modern trade supply chain (Big C) contributed c65% of total revenue in 2023. The large-store format transformation to modernize its store interiors and expand its tourist stores has risen from 25 to 60 store locations as of 2023. By modifying the store layout and product assortments, BJC has improved the appeal for tourists, supporting a gradual improvement in SSSG. the second revenue contributor, the packaging supply chain (16%), is estimated to deliver a higher GPM in 2024 due to raw material costs like natural gas and soda ash remaining low. Moreover, with the introduction of new products and a focus on the fresh food and private label segments, we expect the 2024 GPM to stay above 20% (2023 of 19.4%).

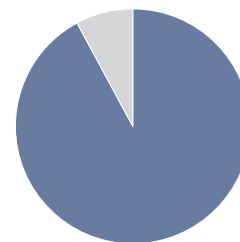
Company profile

BJC is a fully-integrated consumer company with a presence in Thailand and ASEAN. It is part of TCC group, the largest beverage company in Thailand. Businesses include packaging, manufacturing consumer products, healthcare and modern trade. In 2016, it acquired 98% of Big C.

www.bjc.co.th

Principal activities (revenue, 2023)

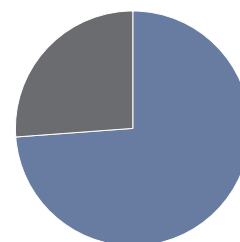
- Sales of goods/services - 92.1 %
- Other income - 7.9 %



Source: Berli Jucker

Major shareholders

- TCC Corporation - 73.8 %
- Others - 26.2 %



Source: Berli Jucker

Catalysts

The recovery of Thailand's economy and increasing consumer confidence, as well as government stimulus packages.

Risks to our call

Key downside risks to our DCF-based TP could come from 1) competition with Lotus which could impact its sales and gross margin; and 2) a higher in raw material prices.

Event calendar

Date	Event
7 Nov 2024	3Q24 results announcement

Key assumptions

	2023 (%)	2024E (%)	2025E (%)	2026E (%)
Revenue growth	2.6	2.6	3.9	3.9
- Packaging	0.7	3.0	3.0	3.0
- Consumer	(1.3)	3.0	3.0	3.0
- Healthcare	2.2	2.0	2.0	2.0
- Modern retailing (Big C)	4.3	2.7	4.7	4.7
Gross margin	19.4	20.1	20.2	20.4
- Packaging	19.3	21.2	21.3	21.4
- Consumer	18.2	19.1	19.2	19.3
- Healthcare	30.6	30.0	30.1	30.2
- Modern retailing (Big C)	18.1	18.5	18.7	18.9
SG&A to sales	20.5	20.5	20.4	20.4

Source: FSSIA estimates

Earnings sensitivity

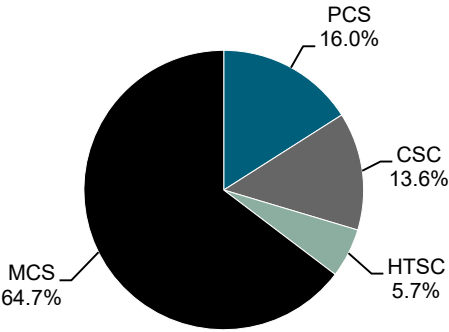
- For every 1% increase in SSSG, we estimate 2025 EPS would rise 0.7%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2025 EPS would rise 2.6%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to revenue, we estimate 2025 EPS would fall 2.6%, and vice versa, all else being equal.

Source: FSSIA estimates

Background

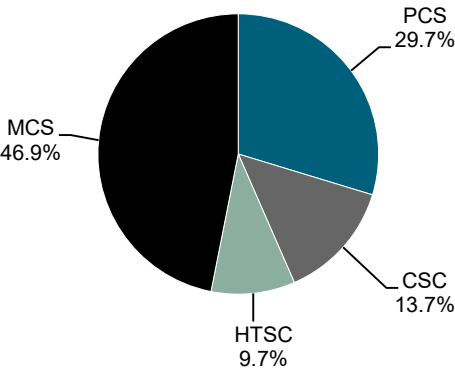
BJC was established in 1882 as TCC group’s flagship for retail and consumer products covering four business supply chains from upstream to downstream. Sales contributions in 1H24 were from packaging supply chain (PSC) at 16%, consumer supply chain (CSC) at 13%, healthcare and technical supply chain (HTSC) at 6% and modern retail supply chain (MSC) at 65%. The EBIT breakdown from PSC was at 30%, with CSC at 14%, HTSC at 10%, and MSC at 47%.

Exhibit 1: Sales breakdown by supply chain in 1H24



Sources: BJC; FSSIA's compilation

Exhibit 2: EBIT breakdown by supply chain in 1H24



Sources: BJC; FSSIA's compilation

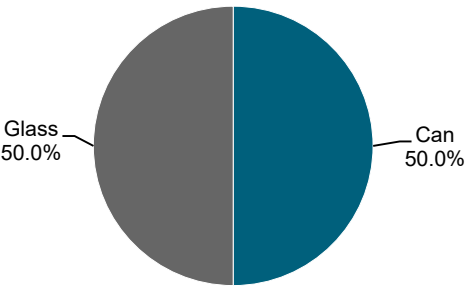
1. Packaging supply chain (PSC): is divided into two main sectors – glass packaging and cans, with sales proportions in 1H24 at 51% and 49%, respectively.

In the packaging business, BJC is considered a major player. In terms of glass packaging production capacity in 2023, BJC holds the largest market share, with a production capacity of 3,655 tons per day, followed by BGC (non-rate) with 3,575 tons per day. OSP and CBG have production capacities of 1,014 tons per day and 640 tons per day, respectively. By product category, beverages account for food 62% and pharmaceuticals 25%, exports 4%, and others 9%. Most customers are c96% in Thailand, with 57% from TCC group companies and 43% from third parties. BJC plans to focus on expanding its third-party customer base, aiming to increase this share to 50% by 2024, with an emphasis on the food and export sectors.

In terms of costs for glass packaging products, over 70% is attributed to raw materials and energy, including natural gas and soda ash. In 2Q24, BJC locked in soda ash prices until early next year, and energy prices remain in the low range.

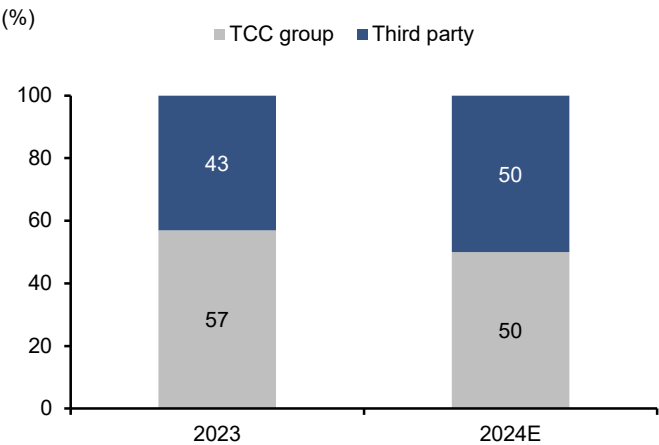
For aluminum can packaging, BJC operates through Thai Beverage Can PLC (TBC), which is a leading player in the country with a #1 market share, producing 5.6 billion cans per year. In terms of cost structure, 70% comes from raw materials, 6% from energy, and 24% from other costs, with aluminum being the primary raw material. BJC uses a cost-plus pricing method, which helps mitigate the risk of fluctuating material costs. The key focus is on introducing new products, such as aluminum bottles, and BJC is the first in Southeast Asia to launch products in this category.

Exhibit 3: Sales breakdown in 1H24



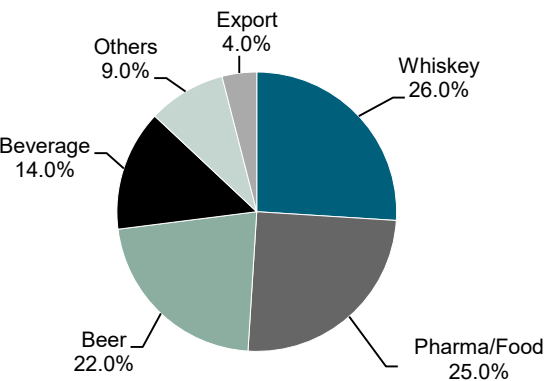
Sources: BJC; FSSIA's compilation

Exhibit 4: Glass revenue breakdown by customers



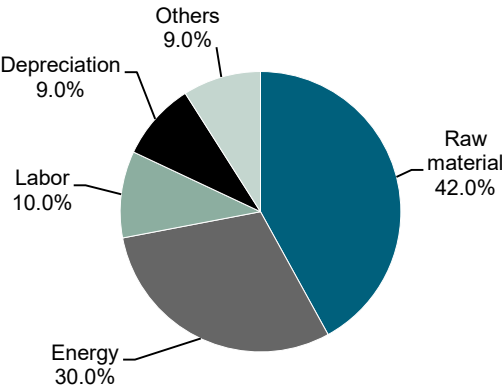
Sources: BJC; FSSIA's compilation

Exhibit 5: Glass revenue breakdown by category



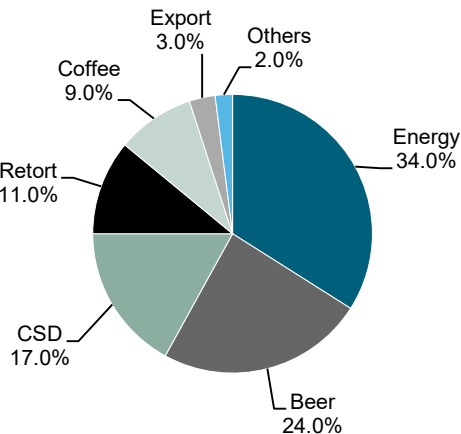
Sources: BJC; FSSIA's compilation

Exhibit 6: Cost breakdown for glass business



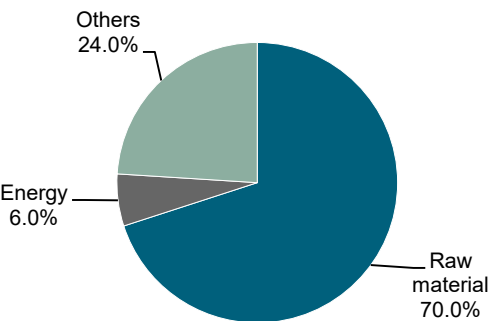
Sources: BJC; FSSIA's compilation

Exhibit 7: Can revenue breakdown by category



Sources: BJC; FSSIA's compilation

Exhibit 8: Cost breakdown for aluminium cans



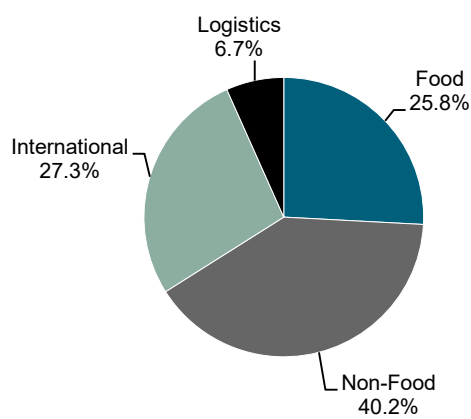
Sources: BJC; FSSIA's compilation

2. Consumer supply chain (CSC): is divided into four groups whose sales contributions in 1H24 (sales contribution excluding elimination) are as follows: food 26%, non-food 40%, international 27% and logistics 7%.

- Food includes food and beverage products with key items such as potato chips, “Testo,” caramel and butter extruded snacks, “Party,” chocolate-flavored baked snacks, “Campus,” baked rice crackers, “Dozo,” and beverages such as cocoa powder, “Cocoa Dutch,” and Kato juice. The snack market is highly competitive, with many players requiring significant advertising and promotion. In 2023, BJC’s market share came in at #2 in the snack market, with potato chip still following Lay’s, while Dozo was the top brand in the rice cracker market. BJC continues to focus on product development and differentiation.
- Non-food includes personal care and household products, such as “Parrot” soap and shower cream, “DMP,” children’s shower cream and lotion and tissue papers and cleaning towels under the brands Cellox, Zilk, Bell, and Maxmo. The focus is on proactive marketing and launching new products, targeting younger customers by modernizing its products. It recently launched hair care and facial care products under the “Promise” brand and “Faciz” brand, respectively. Moreover, BJC is exploring silver age and pet care products which are expected to launch next year. For tissues, it focuses on offering high-quality products without price competition with cheaper Chinese imports. BJC is expanding its customer base to include institutions like factories, hotels, restaurants, airlines, and airports.
- International business covers manufacturing and distribution in Vietnam, which is divided into three business under 1) Thai Corp International (TCI-VN), which has been granted investment licenses from the government of Vietnam to operate import, export, sell, and distribute consumer goods in Vietnam. Currently, the products that BJC has been appointed as the sole distributor of in Vietnam include Three Lady Cooks canned mackerel, E’mos tissue paper, a tofu product, Double Dragon brand fresh bean vermicelli, ICHIBAN brand ready-to-drink soy milk, and Koh Kae peanut snack; 2) Ichiban Foods (Ichiban) is the first and only enterprise in Vietnam to start manufacturing fresh tofu; and 3) Thai An group operates sales and distribution as well as provides logistics services in Vietnam.
- Logistics business through consignment and warehouse management services, as well as transportation for goods distribution throughout the country. BJC also has a representative service for customs clearance and international goods transportation, serving both the group’s subsidiaries and external customers.

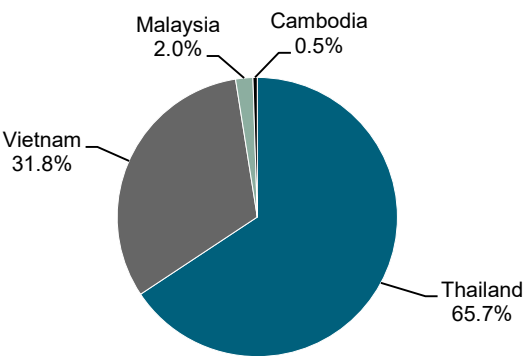
Costs in 2023 were divided by c52% raw materials, c21% packaging materials, c10% energy, c7% labor, and c10% other costs.

Exhibit 9: CSC revenue contribution in 1H24



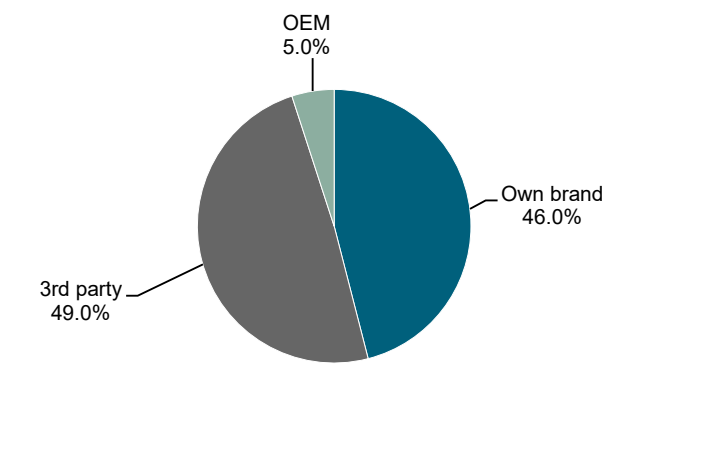
Sources: BJC; FSSIA’s compilation

Exhibit 10: CSC revenue by country in 2023



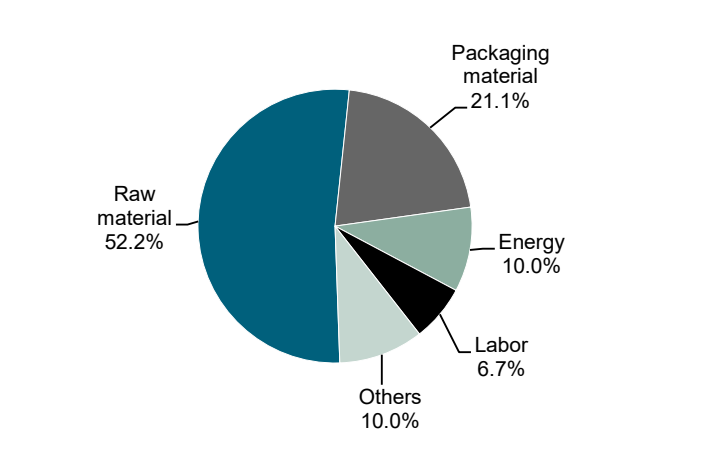
Sources: BJC; FSSIA’s compilation

Exhibit 11: CSC revenue by brand in 2023



Sources: BJC; FSSIA's compilation

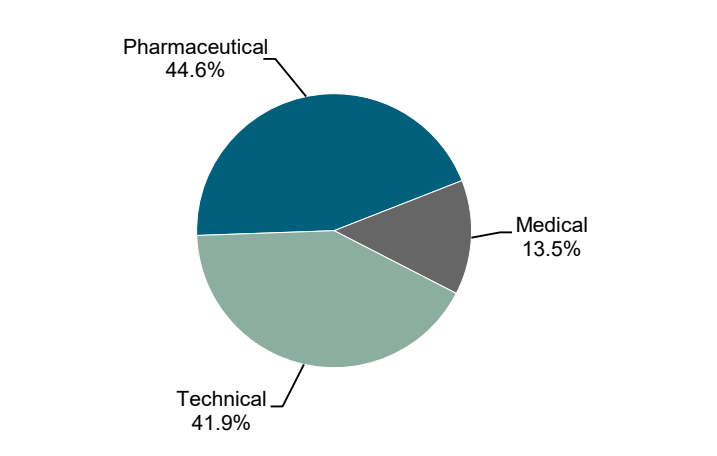
Exhibit 12: CSC cost structure in 2023



Sources: BJC; FSSIA's compilation

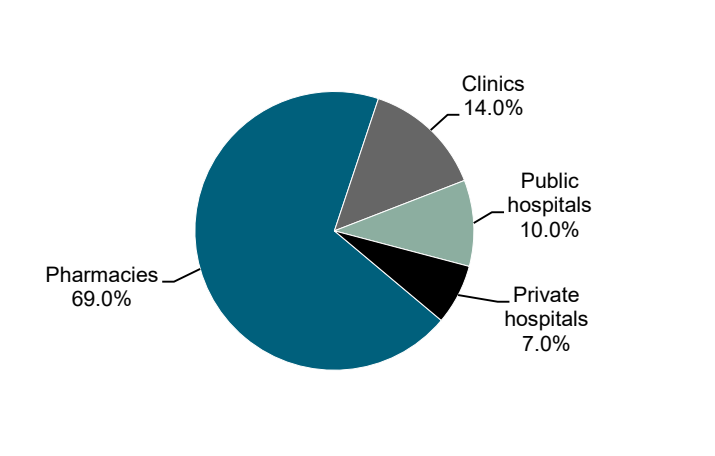
3. Health care and technical supply chain (H&TSC): BJC is the exclusive distributor, accounting for over 90% of sales. BJC also holds the #1 market share as a distributor of mammography and X-ray machines. The healthcare supply chain is divided into two divisions: the pharmaceutical division distributes drugs and the medical division imports and distributes medical equipment and supplies, with a contribution of 45% and 13% in 1H24, respectively. The technical supply chain contributed 42% in 1H24.

Exhibit 13: H&TSC revenue contribution in 1H24



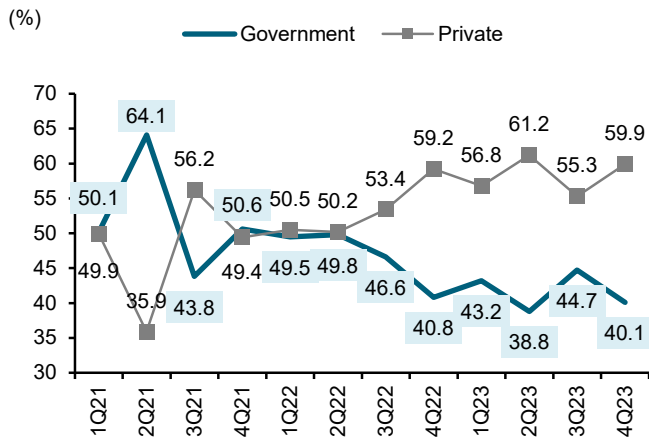
Sources: BJC; FSSIA's compilation

Exhibit 14: Healthcare network coverage



Sources: BJC; FSSIA's compilation

Exhibit 15: Government and private hospital proportion



Sources: BJC; FSSIA's compilation

Exhibit 16: Key focus in 2H24



Source: BJC

4. Modern retail supply chain (MSC): under the Big C brand, which is the flagship business of BJC and TCC group, revenue comes from three sectors as follows:

1) Modern retail: contributing c90% of MSC revenue, including large to small-format stores covering Thailand, Cambodia, Laos and Hong Kong.















- Hypermarket: 157 stores – Big C Supercenter 142 stores, Big C Extra 15 stores;
- Supermarket: 50 stores – Big C Market 35 stores, Big C Food Place 15 stores;
- Small format: 1,592 stores – Big C Mini;
- Other modern retail: 18 stores – Big C Depot 11 stores, food service 7 stores;
- Big C Hong Kong 18 stores.

Moreover, Big C operates a town center business, leasing rental space within its large-format stores to both external operators and the company's own branded stores.

2) Wholesale and supporting traditional trade: represents 8% of MSC revenue, consisting of direct B2B with a large business group of over 90,000 traders who buy goods and bulk at wholesale prices and sell products to 8,545 traditional retail stores owned and operated by traditional retailers in Thailand under the DonJai model.

3) Other business: under the Pure pharmacy, Wawee coffee shops, and Asia Books, which contribute c2% of MSC revenue.

Exhibit 17: Modern retail format*

	Modern retail								Traditional trade
									
	155 stores	35 stores	13 stores	1,569 stores ¹	11 stores	6 stores			7,001 stores
	1 store		2 stores	18 stores					
							25 stores ²		
	1 store ³								
								29 stores ⁴	1,500 stores ⁴
total store	157 stores	35 stores	15 stores	1,587 stores	11 stores	6 stores	25 stores	29 stores	8,501 stores
Store size	2,600–12,000 sqm	500–2,200 sqm	280–1,800 sqm	40–300 sqm	600–1,000 sqm	1,200–1,600 sqm	75–600 sqm	500–8,900 sqm	-
Format positioning	Place for family shopping and lifestyle destination	Neighborhood supermarket in local community	Urban supermarket with high quality selection	Life fulfillment proximity store with right assortment that serves every shopping mission	Small high-volume value-for-money retail store format	Wholesale store with customizable selection of food products and solutions for food vendors and our customers	Offering Thai products with high quality and affordable prices	Wholesale store focusing on fresh Food and Dry Food products	Modernized mom & pop stores, with professional and local spirit
Target group	Mass market customers (with some stores targeted at mid-to-high-income customers) and tourists	Mass market customers, mostly in upcountry and exurban Bangkok	Mid- to high-income customers	Mass market customers	Local sub-wholesaler and food retailers	F&B service providers, including small individual street food vendors	Hong Kong customers and Chinese customers	Professional and household customers	Traditional Mom and pop stores with growth and entrepreneur mindset

Note: Information at the end of March 2024. 1) Excluding 70 Big C Mini Laos stores owned and operated by third parties under "Big C Mini" trademark licensing agreements with the Company. 2) Include 1 pop-up store. 3) Include Big C Laos which opened in April 2, 2024. 4) Big C currently provides human resource management services whereby Big C second members of our management team to TCC Group to assist in the operation of MMVN's MM Mega Market stores in Vietnam.

*Note: number of stores as of 1Q24 (as of 2Q24 it would be hypermarket 157, supermarket 50, Big C Mini 1,592, other modern retail 18 (expanded food service 1 store), HK 18, and Donjai 8,545)

Source: BJC

Exhibit 18: Other modern retail businesses and other businesses*

Other Modern Retail Businesses		Other Businesses			
					
					
					
Night-time market destination, with food offerings and leisure and entertainment attractions, creating an urban after-work location	Traditional daytime market that targets domestic household members, focusing on cooking, food products, and food vendors	Chain of drugstores situated in Big C retail venues	Coffee shop chain that sells food and beverages, as well as customized roasted coffee beans	Importer and distributor of English books and magazines in Thailand that sells books and magazines to retail customers	Various support services for which we charge a fee
4 locations	4 locations	143 stores	47 stores ¹	66 stores	Big C Service Counter Services Trademark Licensing Management Services Data Analytics
600–3,900 sq.m. NLA / location	1,400–14,000 sq.m. NLA / location				

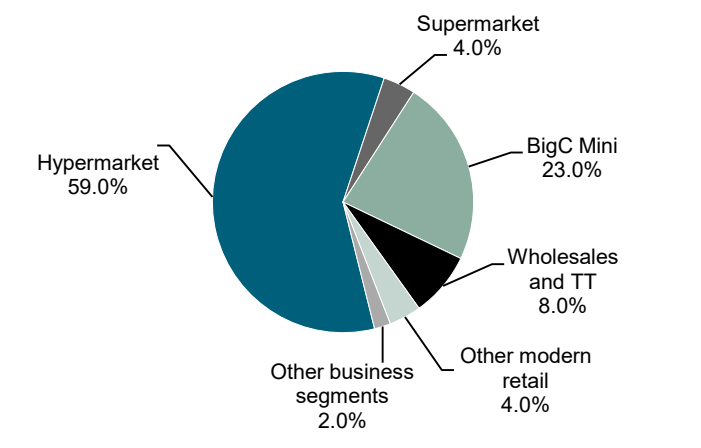
Note: Information at the end of March 2024

1) Includes 6 franchise stores.

*Note: number of stores as of 1Q24 (as of 2Q24 it would be open-air markets 8, Pure 144 (expanded 1 store), Wawee 47, and Asia Books 66 stores)

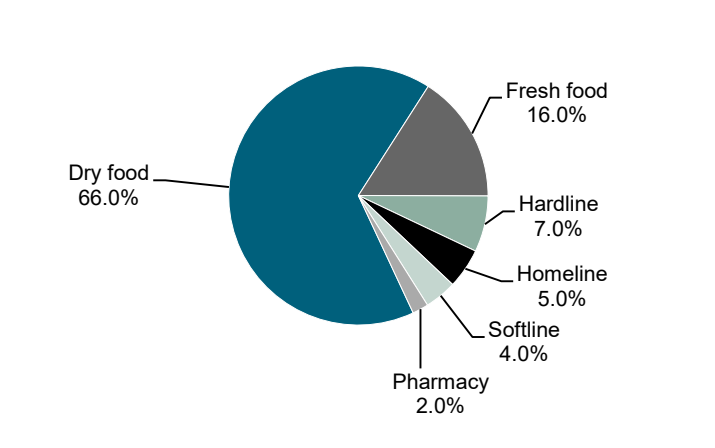
Source: BJC

Exhibit 19: Sales contribution by format in 2023



Sources: BJC; FSSIA's compilation

Exhibit 20: Sales contribution by category in 2023



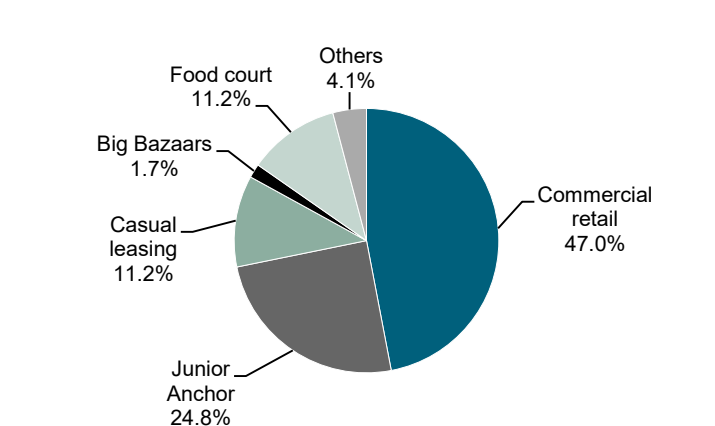
Sources: BJC; FSSIA's compilation

Exhibit 21: Private label brands with over 43,000 SKUs



Sources: BJC; FSSIA's compilation

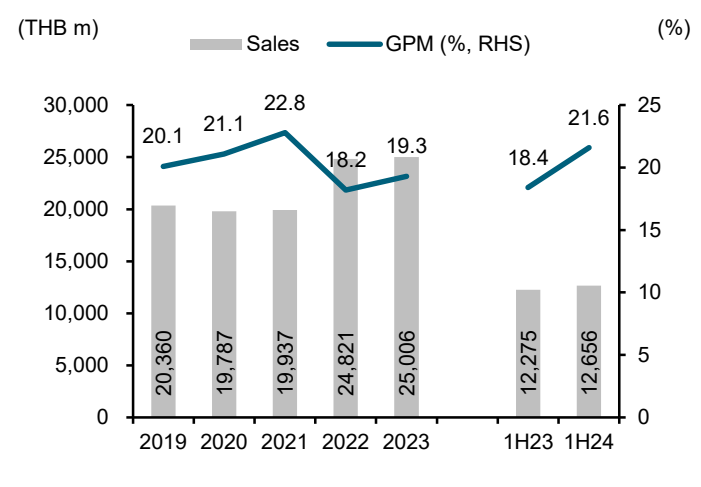
Exhibit 22: Tenant mix in 2023



Sources: BJC; FSSIA's compilation

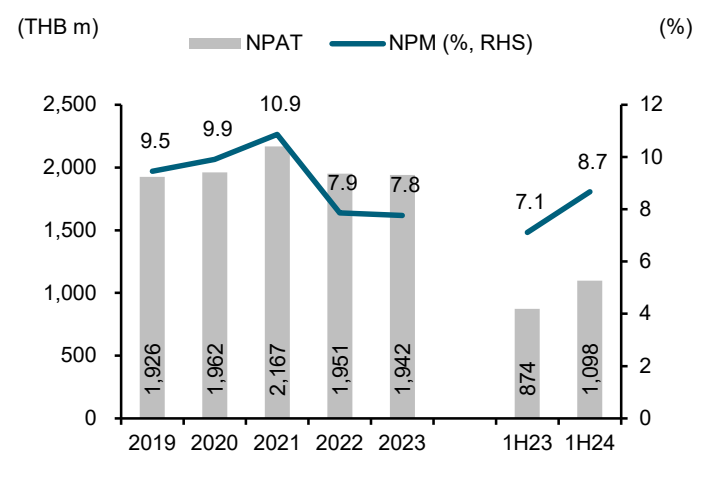
Past performance breakdown by supply chains

Exhibit 23: PSC performance



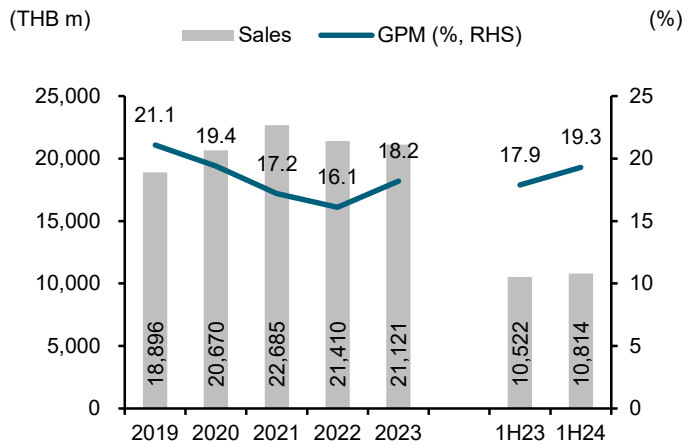
Sources: BJC; FSSIA's compilation

Exhibit 24: PSC performance



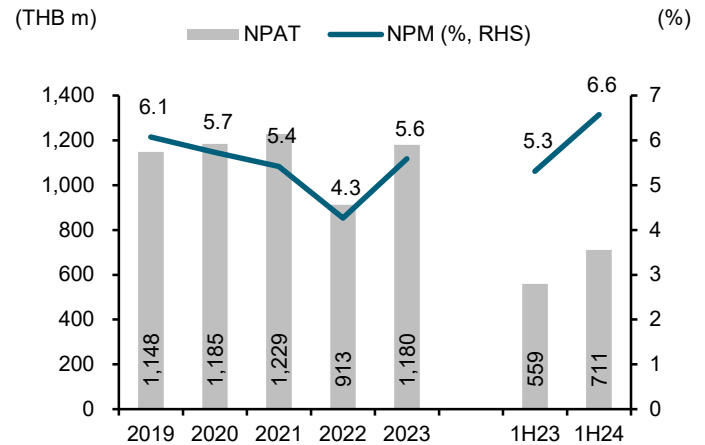
Sources: BJC; FSSIA's compilation

Exhibit 25: CSC performance



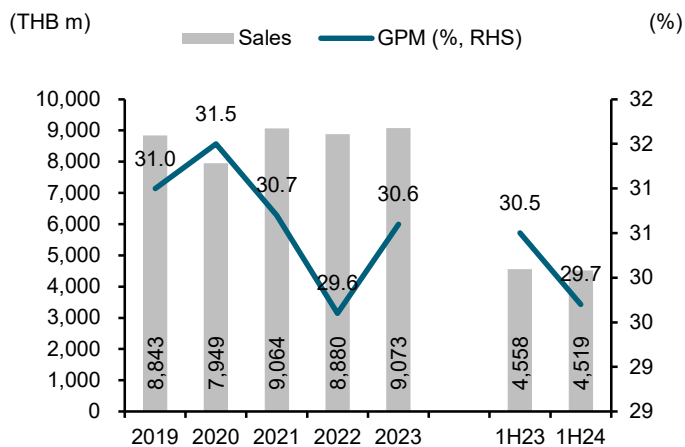
Sources: BJC; FSSIA's compilation

Exhibit 26: CSC performance



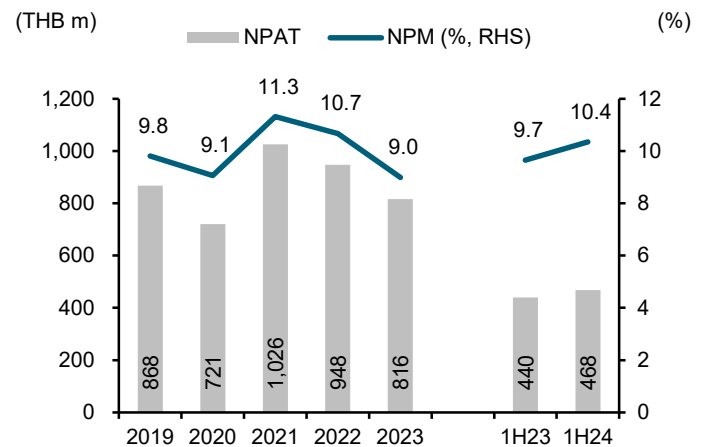
Sources: BJC; FSSIA's compilation

Exhibit 27: H&TSC performance



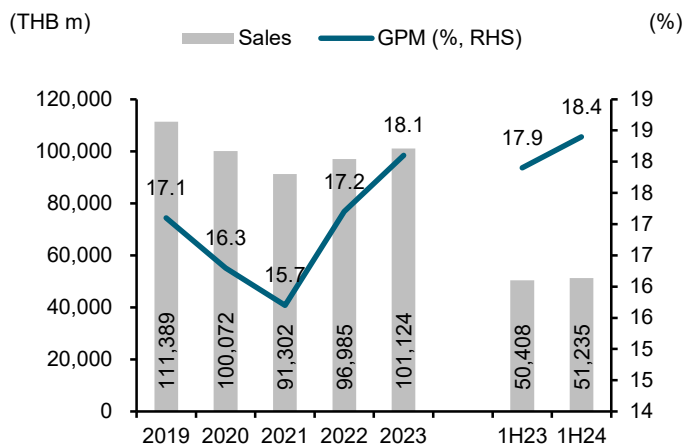
Sources: BJC; FSSIA's compilation

Exhibit 28: H&TSC performance



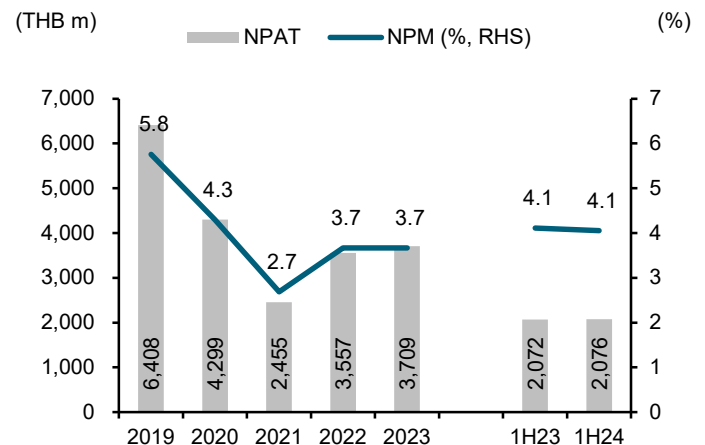
Sources: BJC; FSSIA's compilation

Exhibit 29: MSC performance



Sources: BJC; FSSIA's compilation

Exhibit 30: MSC performance



Sources: BJC; FSSIA's compilation

Key drivers

#1 New product launches

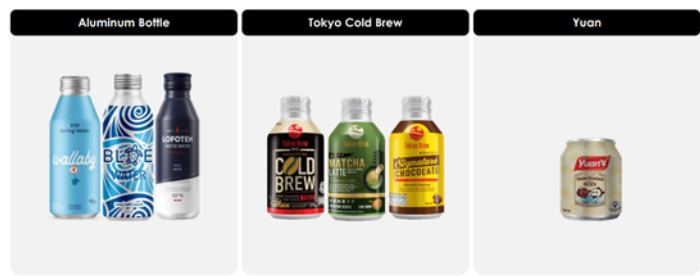
PSC has continued to develop new products and expanded its customer base via third parties, aiming to increase this share to 50% by 2024 (breakdown in 2023: TCC group 57% and third-party 43%), with an emphasis on the food and export sectors.

Exhibit 31: New product plan in 2H24 – glass



Source: BJC

Exhibit 32: New product plan in 2H24 – aluminum cans



Source: BJC

CSC – The food segment plans to launch a new flavor of snacks and ready-to-drink CocoDutch. Non-food has launched new product categories like haircare under “Promise” and facial care under “Faciz.”

Exhibit 33: New product launches in 2H24



Source: BJC

Exhibit 34: New product launches in 2H24



Source: BJC

H&TSC – 1H24 was impacted by delays in budget disbursements. However, medical equipment is expected to support sales growth in 2H24, helping to achieve growth for the year.

MSC – Big C is transforming into tourist stores with a strategy to focus on fresh food. It has expanded its large-format stores into tourist stores, increasing the number of tourist stores from 25 to 60 as of 2023, with the Ratchadamri branch serving as the flagship store. The increasing contribution from tourist stores, along with improvements in the assortment and layout of private label products, has led to growth in the private label segment. Big C also plans to expand its stores and renovate existing ones.

In terms of town center, after the main tenant (bank) left, Big C has been actively seeking new tenants, focusing on food-related stores or restaurants to drive store traffic.

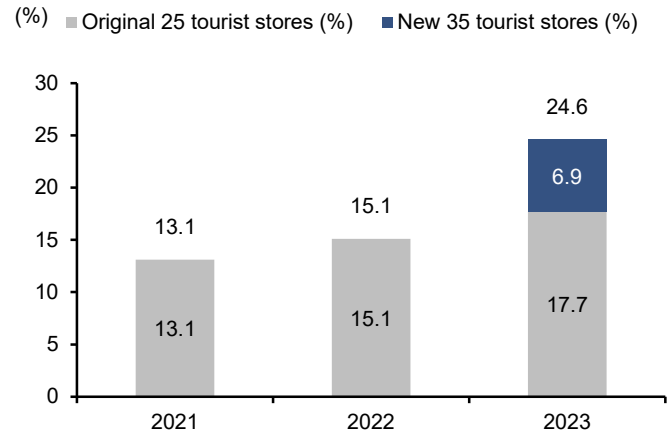
Big C has also developed the Donjai store model, which operates on a B2B2C basis, further extending its wholesale and traditional retail support business. The network of Donjai stores continues to expand. As of 2Q24 there are 8,545 Donjai stores.

Exhibit 35: Tourist stores



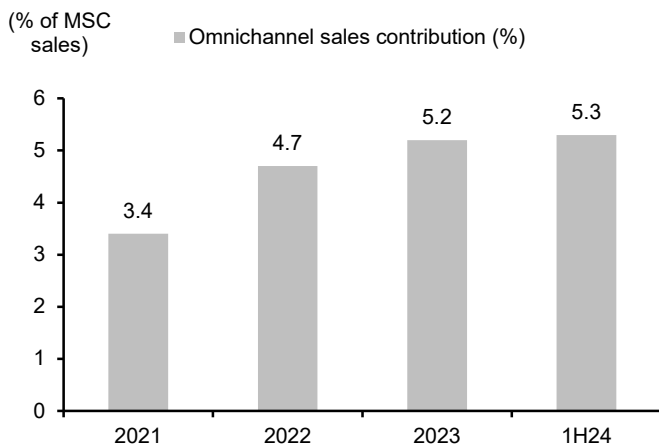
Source: BJC

Exhibit 36: Tourist contribution



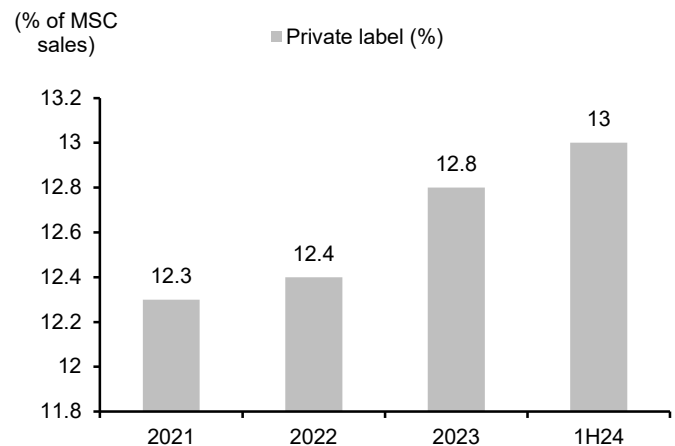
Sources: BJC; FSSIA's compilation

Exhibit 37: Omnichannel sales



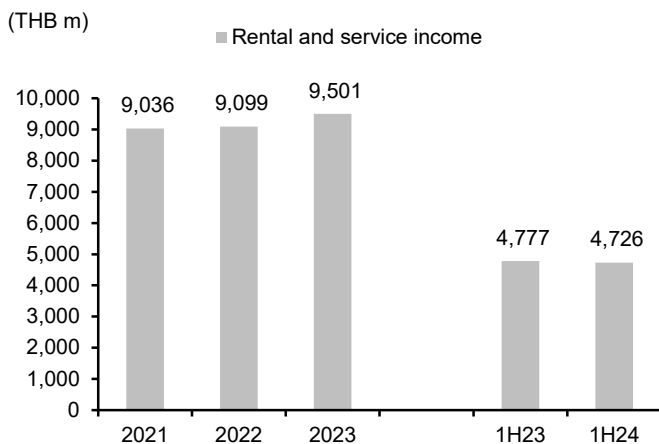
Sources: BJC; FSSIA's compilation

Exhibit 38: Private label



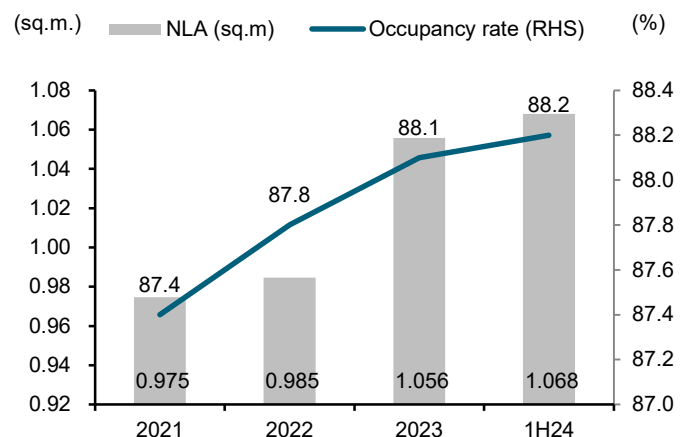
Sources: BJC; FSSIA's compilation

Exhibit 39: Rental and service income



Sources: BJC; FSSIA's compilation

Exhibit 40: NLA and occupancy rate



Note: Occupancy rate excluding the Rajdamri 5-7 floor)

Sources: BJC; FSSIA's compilation

#2 Profit outlook and recovery of SSSG

We expect BJC's core profit to recover. SSSG turned positive in Aug and Sep after a decline in July, driven by the focus on expanding the fresh food category and the THB10,000 stimulus package in late Sep. Fresh food is a key traffic driver, bringing customers into the stores and encouraging them to purchase other products as well. As a result, we expect SSSG to be positive at around 1-3% in 3Q24. Additional raw material costs in the manufacturing segment remain low, with some materials, such as soda ash, having locked in prices until early next year. The gross profit margin (GPM) from sales should stay above 20%, and we anticipate core profit in 3Q24 to increase y-y.

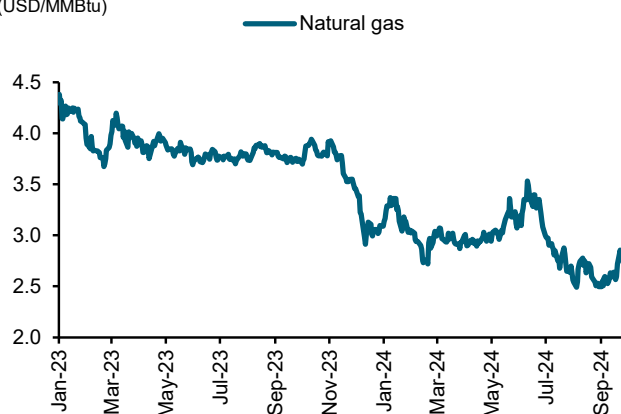
Exhibit 41: SSSG

SSSG (%)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	Jul-24	Aug-24	3Q24E
CPALL	8.0	7.9	3.5	3.6	4.9	3.8	+1-3	+1-3	+1-3
MAKRO	10.9	6.0	3.2	1.7	3.4	1.8	+1-3	+1-3	+1-3
Lotus's	0.8	(0.9)	2.5	5.5	7.1	0.0	+1-3	+1-3	+1-3
BJC	5.8	4.8	2.1	(0.5)	0.1	(1.9)	-1-3	+1-3	+1-3
Consumer stable average	6.4	4.5	2.8	2.6	3.9	0.9	1.0	2.0	1.8
Total CRC	13.0	4.0	0.0	(2.4)	1.0	(1.0)	-1-2	-1-2	-1-2
HMPRO	5.8	4.9	(3.6)	(8.5)	(2.0)	(7.3)	-4-6	-4-6	-4-6
GLOBAL	(8.7)	(9.5)	(12.3)	(12.3)	(5.4)	(2.3)	-6-7	-4-6	-4-6
DOHOME	(9.0)	(9.9)	(7.1)	(9.1)	(9.8)	(5.3)	+1-3	-7-9	-5-7
ILM	8.5	9.0	12.0	8.9	8.4	1.0	+1-3	+1-3	+1-3
Consumer discretionary average	1.9	(0.3)	(2.2)	(4.7)	(1.6)	(3.0)	(2.1)	(4.2)	(3.6)
Total average	3.9	1.8	0.0	(1.5)	0.9	(1.2)	(0.7)	(1.4)	(1.2)

Sources: Companies, FSSIA estimates

Exhibit 42: Natural gas

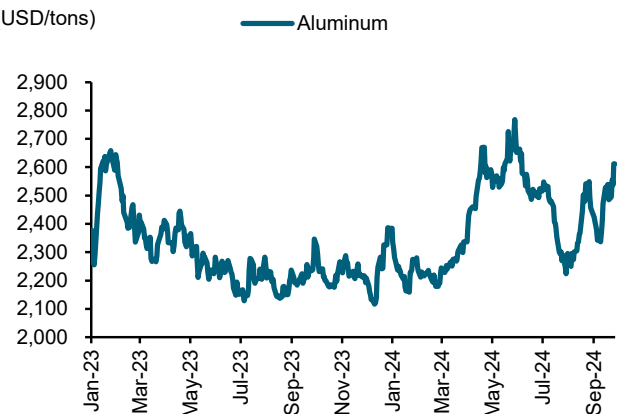
(USD/MMBtu)



Sources: Bloomberg; FSSIA's compilation

Exhibit 43: Aluminum

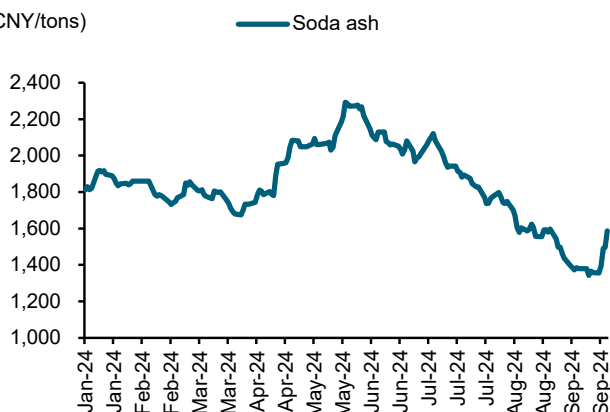
(USD/tons)



Sources: Bloomberg; FSSIA's compilation

Exhibit 44: Soda ash

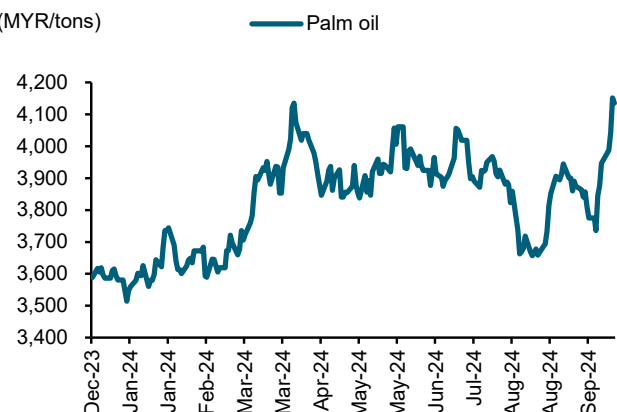
(CNY/tons)



Sources: Bloomberg; FSSIA's compilation

Exhibit 45: Palm oil

(MYR/tons)



Sources: Bloomberg; FSSIA's compilation

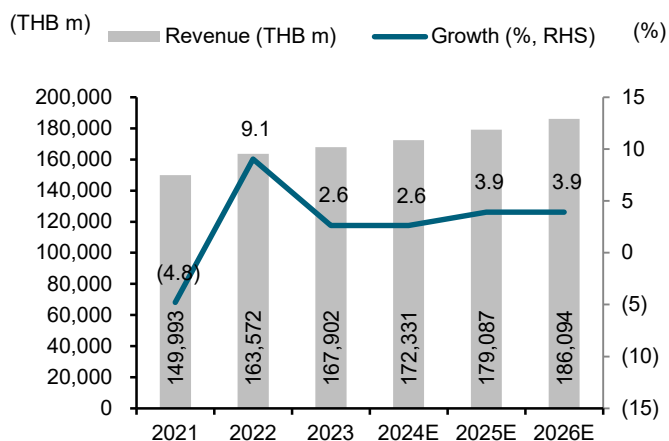
#3 Profit growth forecast for 2024-26:

We expect BJC's core profit in 2024-26 to grow at a 5.0% CAGR.

For 2024, we estimate a core profit of THB4.4b, reflecting a 6% y-y decrease due to rising interest rates following the policy rate hikes and higher tax expenses, with the absence of a tax refund for this year, as a subsidiary of the company has concluded its tax refundable amount for 2019-23. In terms of operations, overall growth remains positive, and we estimate EBIT growth of 11% y-y, driven by sales growth across supply chains focusing on launching new products with high margins, as well as cost-saving in the production line. MSC is focusing on fresh food, which should drive store traffic, and is trying to differentiate the fresh product categories, such as developing ready-to-eat products. In terms of gross margin, we expect 2024 to reach 20.1% (+70bps y-y), which would retain the momentum from 1H24 at 20.1%, driven by the decline in raw material costs stating from 4Q23 and the increased emphasis on high-margin products such as hair and facial care and fresh food.

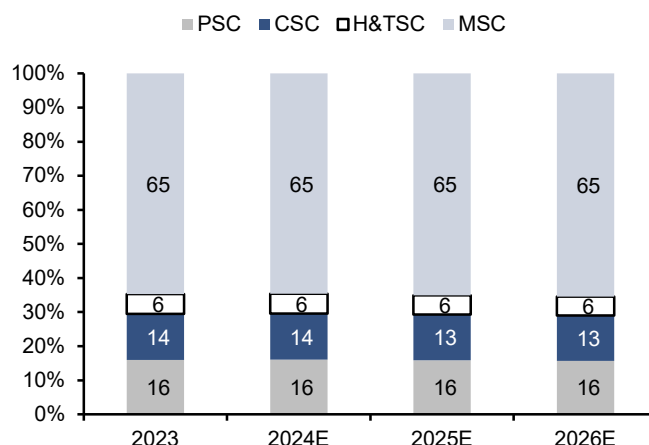
For 2025, we expect core profit growth of 15.6% y-y, with total sales growth at 4% y-y, while the gross margin and SG&A to sales should remain flattish compared with 2024. Additionally, the higher interest expenses and tax expenses in 2024, resulting from a tax refund dispute with a subsidiary in 1Q24, have led to higher-than-normal tax expenses. However, this tax item should be absent in 2025, resulting in a lower effective tax rate of 20% (vs 23% in 2024). Furthermore, BJC should benefit from interest rate cuts, and we estimate that for every 10bps reduction in interest rates, BJC's core profit would increase by 2.7%, all else being equal.

Exhibit 46: Yearly total revenue and growth



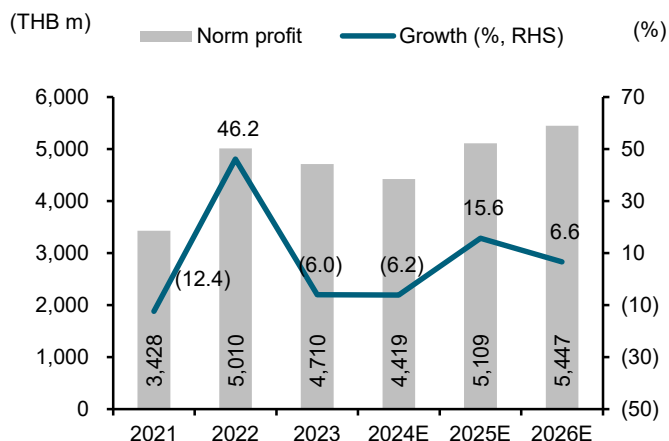
Sources: BJC; FSSIA estimates

Exhibit 47: Sales breakdown by supply chain



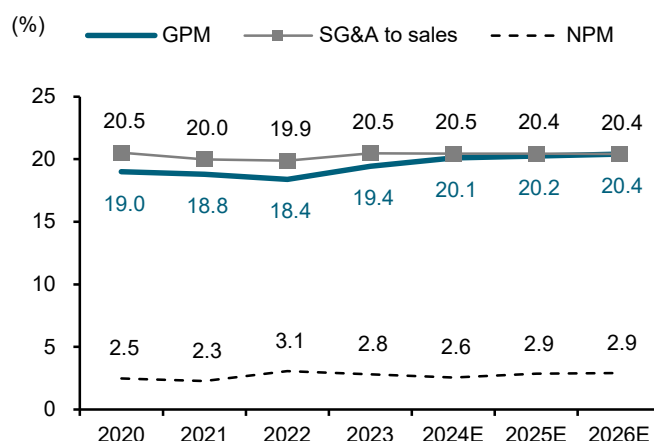
Sources: BJC; FSSIA estimates

Exhibit 48: Yearly normalized profit and growth



Sources: BJC; FSSIA estimates

Exhibit 49: Profitability



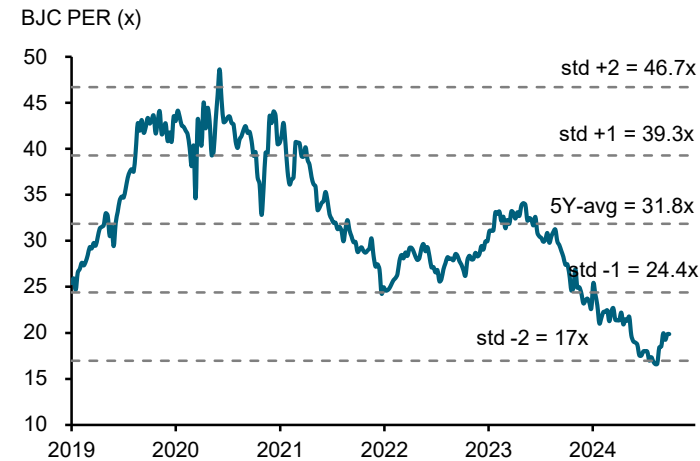
Sources: BJC; FSSIA estimates

#4 Cheap valuation

BJC currently trades below its book value with a P/BV of 0.8x, the lowest in the commerce sector. In terms of 2025E P/E, it trades at only 20x, which is lower than the consumer staple sector's average of 23x and the commerce sector's average of 21.5x, as well as below its five-year average of 31.8x. Additionally, the 2025 dividend yield is anticipated at 3.4%, which is higher than the sector's average of 2.5%.

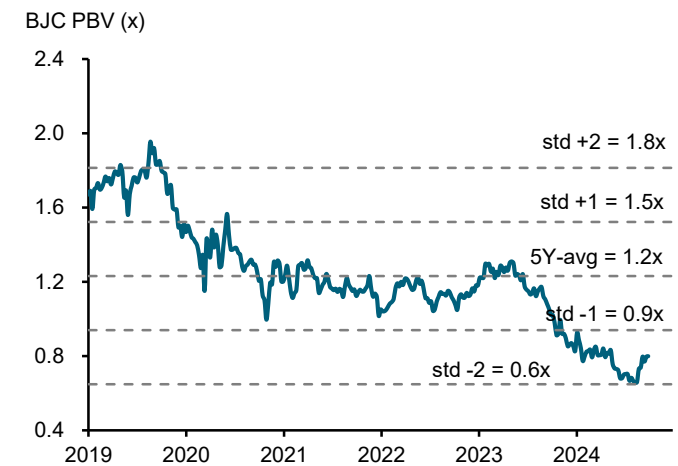
BJC's financial position remains strong, with a net IBD/E ratio of 1.3x, and we expect it to maintain this robust level over the next three years, which is below the bond covenant limit of 2x, indicating financial stability and a solid debt management strategy.

Exhibit 50: Rolling one-year forward P/E band



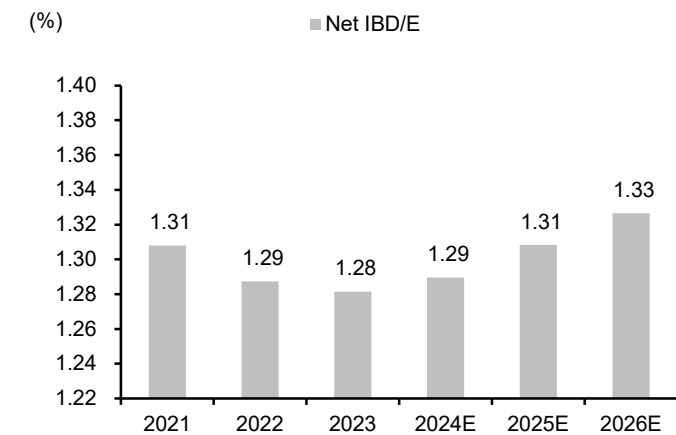
Sources: Bloomberg; FSSIA estimates

Exhibit 51: Rolling one-year forward P/BV band



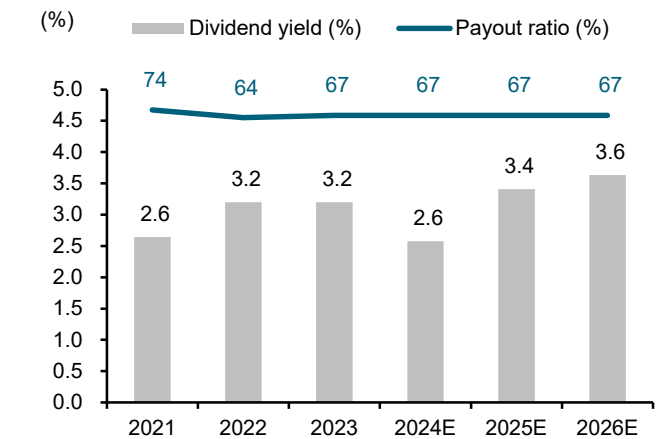
Sources: Bloomberg; FSSIA estimates

Exhibit 52: Net IBD/E



Sources: BJC; FSSIA estimates

Exhibit 53: Dividend yield and payout ratio



Sources: BJC; FSSIA estimates

Reinitiate coverage with a BUY call at our 2025 TP of THB31

We reinitiate coverage of BJC with a BUY recommendation and a 2025 DCF-based TP of THB31, implying a forward P/E of 24.3x and a forward P/BV of 1.0x. We expect 2024 core profit to decrease by 6% y-y due to rising interest rate and tax expenses. However, EBIT should grow by 11%, driven by improvements in GPM across the packaging, consumer and Big C segments.

Looking ahead to 2025, we anticipate core profit growth of 16% y-y, supported by the continuous launch of new products with high-margin categories, as well as Big C's plan to expand and modernize its stores with a focus on fresh food with contract farming, which we would expect to boost both sales and GPM. Additionally, the potential for interest rate cuts could reduce interest expenses, while the tax rate should return to the normal level at 20% (expect 2024 to be 23%). We forecast the core profit in 2025-26 to grow at an 11% CAGR.

Exhibit 54: WACC assumption

Cost of equity assumptions	(%)	Cost of debt assumptions	(%)
Risk-free rate	3.0	Pre-tax cost of debt	3.0
Market risk premium	8.0	Marginal tax rate	20.0
Stock beta	1.0		
Cost of equity, Ke	10.8	Net cost of debt, Kd	2.4
Weight applied	60.0	Weight applied	40.0
WACC	7.5		

Source: FSSIA estimates

Exhibit 55: DCF-derived TP

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	7.5	
Terminal growth	2.0	
NPV		112
Add: terminal value		192
Sum of PV		305
Add: investment		0
Less: Net debt		172
Less: minorities		8
Residual ordinary equity		125
No. of shares (m)		4,008
Residual ordinary equity (THB/share)		31.0

Source: FSSIA estimates

Exhibit 56: Commerce peers as of 8 Oct 2024

Company	BBG	Rec	Share price			Market	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside	Cap	24E	25E	24E	25E	24E	25E	24E	25E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Consumer Staple														
CP All	CPALL TB	BUY	65.25	83.00	27	17,506	23.9	21.1	20.9	21.3	5.2	4.6	19.3	16.9
CP Axtra	CPAXT TB	BUY	31.25	42.00	34	9,732	31.2	25.1	3.5	4.3	1.1	1.1	10.8	9.4
Berli Jucker	BJC TB	BUY	25.75	31.00	20	3,082	23.4	20.2	3.7	4.2	0.9	0.8	12.4	12.0
Consumer Staple average						30,320	26.2	22.1	9.4	9.9	2.4	2.2	14.2	12.8
Consumer Discretionary														
Com7	COM7 TB	BUY	25.50	24.00	(6)	1,794	19.2	17.8	36.1	33.2	6.4	5.5	13.1	11.6
Central Retail Corp	CRC TB	BUY	33.75	40.00	19	6,079	23.9	21.7	12.2	12.4	2.8	2.6	9.9	9.3
Home Improvement														
Index Living Mall	ILM TB	BUY	18.20	26.70	47	274	11.7	10.8	12.9	13.5	1.5	1.4	6.4	5.9
Home Product Center	HMPRO TB	BUY	10.70	13.60	27	4,203	20.6	19.4	26.1	26.4	5.2	5.0	12.0	11.4
Siam Global House	GLOBAL TB	BUY	16.90	16.00	(5)	2,626	31.5	28.3	11.6	12.1	3.5	3.3	23.8	21.4
Dohome	DOHOME TB	BUY	10.50	11.80	12	1,013	34.6	27.0	7.7	9.2	2.6	2.4	17.6	15.5
Home Improvement avg.						8,115	24.6	21.4	14.6	15.3	3.2	3.0	14.9	13.5
Consumer Discretionary avg.						15,988	23.6	20.8	17.8	17.8	3.7	3.4	13.8	12.5
Total average						46,308	24.4	21.3	15.0	15.2	3.2	3.0	13.9	12.6

Source: FSSIA estimates

Financial Statements

Berli Jucker

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	163,572	167,902	172,331	179,087	186,094
Cost of goods sold	(122,707)	(124,628)	(126,963)	(131,838)	(136,885)
Gross profit	40,865	43,274	45,368	47,248	49,209
Other operating income	0	0	0	0	0
Operating costs	(29,891)	(31,650)	(32,503)	(33,783)	(35,111)
Operating EBITDA	19,983	20,608	22,260	23,621	25,051
Depreciation	(9,009)	(8,984)	(9,396)	(10,155)	(10,953)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	10,974	11,624	12,865	13,465	14,098
Net financing costs	(4,723)	(5,295)	(5,663)	(5,657)	(5,855)
Associates	(15)	(200)	(209)	(220)	(231)
Recurring non-operating income	(15)	(200)	(209)	(220)	(231)
Non-recurring items	0	85	(561)	0	0
Profit before tax	6,236	6,214	6,431	7,588	8,012
Tax	(435)	(503)	(1,656)	(1,562)	(1,649)
Profit after tax	5,801	5,712	4,774	6,026	6,364
Minority interests	(790)	(917)	(917)	(917)	(917)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	5,010	4,795	3,858	5,109	5,447
Non-recurring items & goodwill (net)	0	(85)	561	0	0
Recurring net profit	5,010	4,710	4,419	5,109	5,447
Per share (THB)					
Recurring EPS *	1.25	1.18	1.10	1.27	1.36
Reported EPS	1.25	1.20	0.96	1.27	1.36
DPS	0.80	0.80	0.64	0.85	0.91
Diluted shares (used to calculate per share data)	4,008	4,008	4,008	4,008	4,008
Growth					
Revenue (%)	9.1	2.6	2.6	3.9	3.9
Operating EBITDA (%)	5.5	3.1	8.0	6.1	6.1
Operating EBIT (%)	11.2	5.9	10.7	4.7	4.7
Recurring EPS (%)	46.2	(6.0)	(6.2)	15.6	6.6
Reported EPS (%)	39.8	(4.3)	(19.5)	32.5	6.6
Operating performance					
Gross margin inc. depreciation (%)	25.0	25.8	26.3	26.4	26.4
Gross margin exc. depreciation (%)	30.5	31.1	31.8	32.1	32.3
Operating EBITDA margin (%)	12.2	12.3	12.9	13.2	13.5
Operating EBIT margin (%)	6.7	6.9	7.5	7.5	7.6
Net margin (%)	3.1	2.8	2.6	2.9	2.9
Effective tax rate (%)	7.0	7.9	23.0	20.0	20.0
Dividend payout on recurring profit (%)	64.0	68.1	58.4	66.9	66.9
Interest cover (X)	2.3	2.2	2.2	2.3	2.4
Inventory days	73.1	73.7	70.0	69.6	69.8
Debtor days	40.2	41.3	41.6	41.3	41.3
Creditor days	103.0	105.0	103.2	102.6	103.0
Operating ROIC (%)	14.5	15.1	13.9	15.1	15.8
ROIC (%)	3.4	3.5	3.2	3.4	3.5
ROE (%)	4.3	4.0	3.7	4.2	4.4
ROA (%)	3.1	3.1	2.8	3.0	3.1

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Sales of goods/services	150,338	154,672	158,904	165,313	171,965
Other income	13,234	13,230	13,427	13,774	14,130

Sources: Berli Jucker; FSSIA estimates

Financial Statements

Berli Jucker

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	5,010	4,710	4,419	5,109	5,447
Depreciation	9,009	8,984	9,396	10,155	10,953
Associates & minorities	(362)	(544)	0	0	0
Other non-cash items	750	1,144	864	972	921
Change in working capital	(1,516)	1,559	(568)	(216)	(436)
Cash flow from operations	12,892	15,853	14,111	16,021	16,884
Capex - maintenance	(7,676)	(10,683)	(9,250)	(9,713)	(10,198)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	(4,010)	(2,694)	(6,301)	(8,860)	(9,186)
Other investments (net)	0	0	0	0	0
Cash flow from investing	(11,686)	(13,377)	(15,551)	(18,573)	(19,384)
Dividends paid	(3,206)	(3,206)	(2,580)	(3,417)	(3,642)
Equity finance	612	(215)	69	69	69
Debt finance	1,147	1,639	3,951	5,900	6,074
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(1,447)	(1,782)	1,440	2,552	2,500
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(241)	695	0	0	0
Free cash flow to firm (FCFF)	5,958.63	7,814.37	4,271.93	3,154.26	3,403.25
Free cash flow to equity (FCFE)	2,352.86	4,115.69	2,510.85	3,348.06	3,573.58

Per share (THB)

FCFF per share	1.49	1.95	1.07	0.79	0.85
FCFE per share	0.59	1.03	0.63	0.84	0.89
Recurring cash flow per share	3.60	3.57	3.66	4.05	4.32

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	105,611	111,435	120,685	130,397	140,596
Less: Accumulated depreciation	(44,601)	(48,581)	(57,827)	(67,828)	(78,622)
Tangible fixed assets (net)	61,010	62,854	62,858	62,570	61,974
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	3,001	2,774	2,874	2,974	3,074
Cash & equivalents	4,162	4,857	4,857	4,857	4,857
A/C receivable	18,574	19,377	19,889	20,668	21,477
Inventories	24,388	22,338	22,756	23,630	24,535
Other current assets	1,002	843	858	881	905
Current assets	48,126	47,416	48,360	50,036	51,773
Other assets	223,908	225,926	231,886	240,976	250,406
Total assets	336,045	338,970	345,979	356,557	367,227
Common equity	118,291	119,665	121,012	122,773	124,646
Minorities etc.	5,857	6,230	7,147	8,064	8,981
Total shareholders' equity	124,149	125,896	128,159	130,837	133,627
Long term debt	137,030	129,749	142,673	136,425	146,312
Other long-term liabilities	12,398	11,880	12,351	12,835	13,337
Long-term liabilities	149,428	141,629	155,023	149,260	159,649
A/C payable	33,569	32,947	33,564	34,853	36,187
Short term debt	27,951	36,870	27,898	40,045	36,232
Other current liabilities	948	1,628	1,335	1,562	1,532
Current liabilities	62,468	71,445	62,797	76,459	73,951
Total liabilities and shareholders' equity	336,045	338,970	345,979	356,557	367,227
Net working capital	9,447	7,984	8,605	8,765	9,198
Invested capital	297,366	299,538	306,223	315,285	324,651

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	29.52	29.86	30.19	30.63	31.10
Tangible book value per share	29.52	29.86	30.19	30.63	31.10

Financial strength

Net debt/equity (%)	129.5	128.5	129.3	131.2	133.0
Net debt/total assets (%)	47.9	47.7	47.9	48.1	48.4
Current ratio (x)	0.8	0.7	0.8	0.7	0.7
CF interest cover (x)	1.5	1.8	1.4	1.6	1.6

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	20.6	21.9	23.4	20.2	18.9
Recurring P/E @ target price (x) *	24.8	26.4	28.1	24.3	22.8
Reported P/E (x)	20.6	21.5	26.8	20.2	18.9
Dividend yield (%)	3.1	3.1	2.5	3.3	3.5
Price/book (x)	0.9	0.9	0.9	0.8	0.8
Price/tangible book (x)	0.9	0.9	0.9	0.8	0.8
EV/EBITDA (x) **	13.5	13.2	12.4	12.0	11.6
EV/EBITDA @ target price (x) **	14.6	14.2	13.3	12.9	12.4
EV/invested capital (x)	0.9	0.9	0.9	0.9	0.9

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Berli Jucker; FSSIA estimates

Berli Jucker PCL (BJC TB)

FSSIA ESG rating


71.33 /100

Exhibit 57: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 58: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BJC	71.33	Y	Y	Y	4.00	4.00	--	Medium	55.09	A	--	65.19	89.00	2.16	--
COM7	61.78	--	Y	Y	5.00	5.00	Certified	Low	47.75	--	--	52.68	21.00	4.40	43.59
CPALL	78.53	Y	Y	Y	5.00	5.00	Certified	Medium	47.38	A	34.00	59.95	82.00	3.74	--
CPAXT	59.46	--	--	--	5.00	5.00	Certified	Low	52.81	--	--	74.64	63.00	3.77	--
CRC	64.49	--	Y	Y	5.00	5.00	Certified	Medium	--	BBB	--	60.98	73.00	2.90	47.27

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 59: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	0.96	0.97	1.54	1.56	1.62	2.64	2.59	2.60
BESG environmental pillar score	0.69	0.69	0.76	0.73	0.77	2.37	2.05	1.73
BESG social pillar score	0.16	0.16	1.08	1.11	1.25	2.34	2.34	2.58
BESG governance pillar score	3.13	3.19	3.48	3.54	3.42	3.48	3.62	3.62
ESG disclosure score	30.47	30.47	43.34	48.52	50.41	62.23	61.10	58.67
Environmental disclosure score	0.91	0.91	9.15	24.71	30.38	50.20	44.85	41.71
Social disclosure score	9.22	9.22	33.34	33.34	33.34	42.74	44.71	40.54
Governance disclosure score	81.10	81.10	87.36	87.36	87.36	93.62	93.62	93.62
Environmental								
Emissions reduction initiatives	No	No	No	No	No	Yes	Yes	Yes
Climate change policy	No	No	No	No	No	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	Yes	Yes	Yes	Yes
GHG scope 1	—	—	357	466	483	417	503	507
GHG scope 2 location-based	—	—	699	699	715	603	616	609
GHG Scope 3	—	—	—	—	—	—	292	—
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	2,978	3,108	3,303	2,903	2,875
Renewable energy use	—	—	0	2	24	42	53	58
Electricity used	—	—	—	1,423	1,485	1,207	1,322	—
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 60: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	2	1	—	—
Total waste	—	—	121	129	137	73	100	84
Waste recycled	—	—	—	37	37	33	20	28
Waste sent to landfills	—	—	—	—	94	39	74	54
Environmental supply chain management	No	No	No	No	No	Yes	Yes	Yes
Water policy	No	No	No	No	No	Yes	Yes	Yes
Water consumption	—	—	—	2,380	3,106	4,550	3,840	4,150
Social								
Human rights policy	No	No	No	No	No	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	Yes	Yes	Yes
Quality assurance and recall policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	No	No	No	No	No	Yes	Yes	Yes
Equal opportunity policy	No	No	No	No	No	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	Yes	Yes
Pct women in workforce	—	—	56	57	59	60	61	60
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	1	0	0	1	0	0
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	11,572	10,597	37,954	40,294	40,491	35,400	37,980	34,046
Employee turnover pct	—	—	66	73	69	62	48	45
Total hours spent by firm - employee training	—	—	3,339,950	3,889,880	3,494,120	2,255,330	4,405,680	4,187,660
Social supply chain management	No	No	No	No	No	Yes	Yes	Yes
Governance								
Board size	15	15	15	16	16	16	16	17
No. of independent directors (ID)	5	6	8	8	8	8	8	9
No. of women on board	3	2	2	3	3	3	3	4
No. of non-executive directors on board	13	12	13	13	13	13	14	14
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	9	30	6	6	5	6	6	4
Board meeting attendance pct	75	89	93	96	97	99	99	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	38	39	41	42	43	45	46	46
Age of the oldest director	73	74	74	76	77	78	79	79
No. of executives / company managers	9	6	6	6	7	6	10	10
No. of female executives	3	2	1	1	1	1	5	5
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	4	3	3	3	3	3	4	4
No. of ID on audit committee	3	3	3	3	3	3	3	4
Audit committee meetings	5	8	7	5	5	5	8	6
Audit meeting attendance %	95	95	100	93	100	100	90	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	1	1	2	2	1	2	2	2
No. of compensation committee meetings	2	5	4	2	3	3	3	3
Compensation meeting attendance %	100	93	100	100	100	100	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	2	5	4	2	3	3	3	3
Nomination meeting attendance %	100	93	100	100	100	100	100	100
Sustainability governance								
Verification type	No	No	No	No	No	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities																			
AA	7.143-8.570																					
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B	1.429-2.856																					
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Berli Jucker	BJC TB	THB 25.75	BUY	Key downside risks to our DCF-based TP could come from 1) competition with Lotus which could impact its sales and gross margin; and 2) a higher in raw material prices.
CP All	CPALL TB	THB 65.25	BUY	The key downside risks to our DCF-derived TP include 1) lower-than-expected SSSG, 2) lower-than-expected gross margin, and 3) higher-than-expected SG&A to sales ratio.
CP Axtra	CPAXT TB	THB 31.25	BUY	Key downside risks to our DCF-based TP include 1) a lower-than-expected SSSG, 2) a lower-than-expected GPM, 3) higher-than-expected SG&A expenses, and 4) an operating loss from its overseas units.
Com7	COM7 TB	THB 25.50	BUY	Risks to our P/E-based TP include 1) lower/higher domestic consumption and purchasing power, 2) store cannibalization/expansion, and 3) lower/higher-than-expected gross margin.
Central Retail Corp	CRC TB	THB 33.75	BUY	Downside risks to our DCF-based TP include 1) a decline in domestic purchasing power, 2) lower-than-expected tourist arrivals, 3) an absence of the government's stimulus, and 4) a slower-than-expected economic recovery in Vietnam.
Index Living Mall	ILM TB	THB 18.20	BUY	Risks to our DCF-based TP include 1) a lower-than-expected SSSG; 2) a lower-than-expected GPM; and 3) a higher-than-expected SG&A.
Home Product Center	HMPRO TB	THB 10.70	BUY	Key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) slower-than-expected recovery in domestic consumption and tourist arrivals, and 3) operating losses from overseas units.
Siam Global House	GLOBAL TB	THB 16.90	BUY	Key risks to our DCF-based TP are 1) lower/higher farm income, which would affect purchasing power in the agricultural sector, 2) government disbursement, 3) a lower/higher private brand mix and margin, 4) higher/lower expenses than expected, and 5) a higher/lower impact than expected from the El Nino.
Dohome PCL	DOHOME TB	THB 10.50	BUY	Key risks to our DCF-based TP are 1) lower/higher farm income, which would affect purchasing power in the agricultural sector, 2) government disbursement, 3) a lower/higher private brand mix and margin, 4) higher/lower expenses than expected, and 5) a higher/lower impact than expected from the El Nino.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 08-Oct-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.