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KEY HIGHLIGHTS

Update

Berli Jucker (BJC TB/BUY/Bt24.00/Target: Bt32.00)

A gradual recovery expected.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,362.59	(4.83)	(0.35)
SET50	831.58	(2.27)	(0.27)
Value (Btm) - SET	35,212		
Top 5 Sector			
BANK	372.09	1.70	0.46
PETRO	698.63	(2.53)	(0.36)
PROP	221.87	(2.35)	(1.05)
ENERG	19,958.77	8.29	0.04
ICT	150.52	0.40	0.27

Source: Bloomberg

TOP VOLUME

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
AOT	64.75	(1.15)	1,820.5
BDMS	27.75	(0.89)	1,776.9
PTT	34.25	0.74	1,654.8
KBANK	124.00	0.40	1,432.9
PTTEP	152.00	1.33	1,398.5

TOP GAINERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
MIPF	11.40	25.27	0.0
NATION	0.05	25.00	0.1
CV	0.54	17.39	25.5
TVT	0.76	16.92	21.7
EMC	0.08	14.29	0.1

TOP LOSERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
SDC	0.05	(16.67)	1.2
PPPM	0.05	(16.67)	0.9
HYDRO	0.26	(13.33)	0.0
TU-PF	0.73	(10.98)	0.0
B	0.11	(8.33)	6.4

*ADT: Average daily turnover

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	82.8	7.4	6.2	7.8
Dubai crude*	84.7	7.0	8.1	10.8
Baltic Dry Index	2,203.0	53.4	(29.9)	5.2
Gold Spot***	2,114.9	4.4	4.7	2.5

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(16.3)	(39.5)	(827.5)	(8,019.1)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 35.77

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%) - MLR = 7.10

COMPANY UPDATE

Berli Jucker (BJC TB)

A Gradual Recovery Expected

Management expects BJC's 2024 top-line to improve by 7-9% yoy and gross margin to grow by up to 100bp. However, we are conservative and maintain our 2024 earnings growth forecast of 11% yoy, based on a 4.6% top-line growth and a 30bp increase in gross margin. We are still positive on a 2024 earnings recovery on the back of a sales improvement and lower cost pressure. Maintain BUY. Target price: Bt32.00.

WHAT'S NEW

- 2024 guidance.** Berli Jucker's (BJC) management guided for 2024 financial performance as follows: a) top-line growth of 7-9% yoy, driven by modern trade and consumer supply chain businesses, b) an improvement in gross profit margin by 80-100bp following lower raw material costs and internal efficiency improvement, and c) total capex of Bt9.0-9.5b. Management also expects to see cost saving benefits of Bt432m realised in 2024, split into both COGS and SGA savings. Overall, based on our 2024 earnings forecast, we expect BJC's 2024 top-line growth at 4.6% and gross profit margin at 19.7%, up 30bp from 19.4% in 2023. We maintain our 2024-25 earnings forecasts at 11% and 7.7% respectively.
- Strategies to improve top-line.** The company's strategies to improve sales will focus on both existing and new stores. BJC expects to renovate 18 hypermarket stores to improve customer experience which will result in sales uplift and higher rental space. BJC will also develop stores as tourist stores (which accounted for 17.5% of total sales), with a greater assortment of tourist products. BJC also plans to add 3 hypermarket stores and 200 Mini Big C stores in 2024, from the current store count of 156 hypermarket stores and 1,567 Big C stores as of 4Q23. These strategies will help BJC improve both same-store-sales (SSS) and generate additional sales from new stores.
- Most raw material costs already locked in in 1H24.** We expect continuous improvement of packaging and consumer supply chain gross margin in 2024. Regarding management guidance, most of the company's key raw materials were in downward trends this year. Natural gas and soda ash prices are expected to decrease 6% yoy and 45% yoy. Aluminium costs are forecasted to stay flattish or decrease slightly. Overall, the company has already hedged its raw material costs in 1H24.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	163,530.7	167,901.9	175,432.1	182,933.4	190,498.1
EBITDA	19,942.2	20,608.2	21,553.4	22,698.8	23,750.6
Operating profit	10,933.1	11,623.9	12,684.9	13,475.8	14,183.3
Net profit (rep./act.)	5,010.4	4,794.7	5,323.1	5,733.6	6,011.3
Net profit (adj.)	5,010.4	4,794.7	5,323.1	5,733.6	6,011.3
EPS (Bt)	1.3	1.2	1.3	1.4	1.5
PE (x)	19.2	20.1	18.1	16.8	16.0
P/B (x)	0.8	0.8	0.8	0.8	0.8
EV/EBITDA (x)	13.1	12.7	12.1	11.5	11.0
Dividend yield (%)	3.3	3.3	3.5	3.8	4.0
Net margin (%)	3.1	2.9	3.0	3.1	3.2
Net debt/(cash) to equity (%)	135.7	134.9	129.4	128.8	127.5
Interest cover (x)	4.2	3.9	4.0	4.2	4.3
Consensus net profit	-	-	5,612	6,282	6,861
UOBKH/Consensus (x)	-	-	0.95	0.91	0.88

Source: Berli Jucker, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt24.00
Target Price	Bt32.00
Upside	+33.3%

COMPANY DESCRIPTION

Berli Jucker is a conglomerate that operates in: a) packaging supply chain, b) consumer supply chain, c) healthcare and technical supply chains, and d) modern retail supply chain.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	BJC TB
Shares issued (m):	4,007.8
Market cap (Btm):	96,187.1
Market cap (US\$m):	2,685.4
3-mth avg daily t'over (US\$m):	7.9

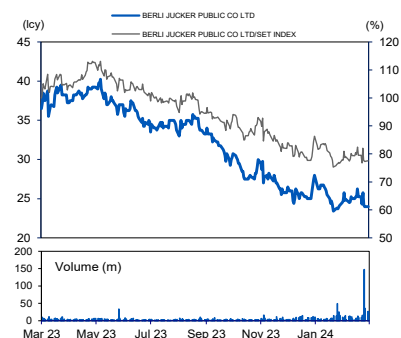
Price Performance (%)

52-week high/low	Bt40.25/Bt23.40			
1mth	3mth	6mth	1yr	YTD
(0.4)	(6.8)	(27.8)	(34.2)	(4.0)

Major Shareholders

	%
TCC Corporation	45.68
TCC Holding (1995)	29.32
The Bank of New York (Nominees)	6.52
FY24 NAV/Share (Bt)	30.36
FY24 Net Debt/Share (Bt)	39.28

PRICE CHART



Source: Bloomberg

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- **Big C Hong Kong improvement.** The company saw strong improvement in Big C Hong Kong's top-line growth of 111% qoq in 4Q23, due to seasonality and higher operating days. Management guided that they expected to see breakeven in late-24.

STOCK IMPACT

- **Positive earnings momentum in 1Q24.** Qtd, 1Q24 SSS growth of the modern trade business is a positive 2-3% yoy, mainly due to the pick-up of SSS in Feb 24, driven by Chinese New Year. In terms of profitability, we expect 1Q24 gross margin to continue improving yoy following modern trade efficiency improvement and lower cost pressure in its manufacturing businesses. Additionally, BJC will benefit from a 22% yoy lower fuel adjustment charge (FT rate). Overall, we expect BJC to report a net profit of Bt5,323m in 2024, up 11% yoy, driven by increasing modern trade sales and gross margin improvement in all businesses from lower cost pressure and better efficiency.

EARNINGS REVISION/RISK

- There is no change in our 2024-26 earnings estimates.

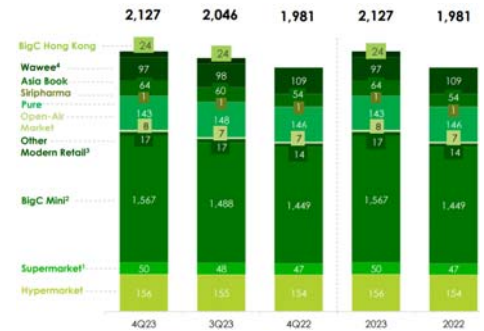
VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt32.00.** Our target price is pegged to 24x 2024F PE, which is equivalent to -1SD from its five-year mean from 2017-19 and 2022-23 as we excluded the abnormal period of the COVID-19 pandemic during 2020-21. We maintain BJC's PE target at -1SD from its mean to reflect its slower earnings growth compared to its peers. Currently, BJC is trading at an undemanding valuation of 18.1x 2024F PE, which is equivalent to -2SD to its PE mean.

SHARE PRICE CATALYST

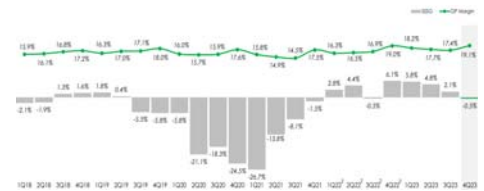
- Better-than-expected SSSG recovery and progress in the implementation of the government's Bt10,000 digital wallet plan.

STORES BREAKDOWN BY FORMATS



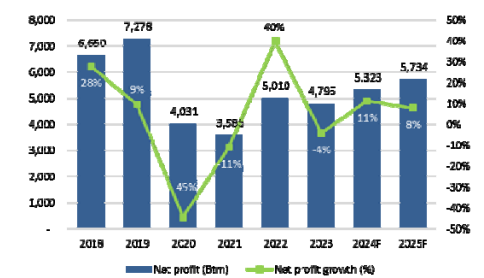
Source: BJC, UOB Kay Hian

SSS GROWTH AND GROSS MARGIN



Source: BJC, UOB Kay Hian

NET PROFIT AND GROWTH



Source: BJC, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	167,902	175,432	182,933	190,498
EBITDA	20,608	21,553	22,699	23,751
Deprec. & amort.	8,984	8,869	9,223	9,567
EBIT	11,624	12,685	13,476	14,183
Total other non-operating income	85	0	0	0
Associate contributions	(200)	(150)	(120)	(96)
Net interest income/(expense)	(5,295)	(5,399)	(5,446)	(5,492)
Pre-tax profit	6,214	7,137	7,911	8,595
Tax	(503)	(911)	(1,205)	(1,564)
Minorities	(917)	(903)	(972)	(1,019)
Net profit	4,795	5,323	5,734	6,011
Net profit (adj.)	4,795	5,323	5,734	6,011

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	16,155	16,545	15,576	16,405
Pre-tax profit	6,214	7,137	7,911	8,595
Tax	(503)	(911)	(1,205)	(1,564)
Deprec. & amort.	8,984	8,869	9,223	9,567
Working capital changes	620	2,365	(702)	(300)
Non-cash items	839	(914)	349	107
Other operating cashflows	0	0	0	0
Investing	(13,011)	(9,817)	(12,541)	(13,911)
Capex (growth)	(12,661)	(12,874)	(13,117)	(13,572)
Investments	227	60	48	38
Others	(578)	2,997	529	(378)
Financing	(2,449)	(6,273)	(2,735)	(2,240)
Dividend payments	(3,206)	(3,244)	(4,235)	(3,740)
Issue of shares	2	0	0	0
Proceeds from borrowings	1,516	(3,505)	1,500	1,500
Others/interest paid	(760)	475	0	0
Net cash inflow (outflow)	695	454	300	253
Beginning cash & cash equivalent	4,162	4,857	5,311	5,611
Ending cash & cash equivalent	4,857	5,311	5,611	5,864

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	285,926	289,932	293,826	297,830
Other LT assets	5,628	5,626	5,715	5,823
Cash/ST investment	4,857	5,311	5,611	5,864
Other current assets	42,559	43,084	44,919	46,767
Total assets	338,970	343,952	350,071	356,284
ST debt	36,942	33,437	33,437	33,437
Other current liabilities	34,503	36,478	37,960	39,615
LT debt	129,316	129,316	130,816	132,316
Other LT liabilities	12,313	15,368	16,033	15,802
Shareholders' equity	119,665	121,676	123,174	125,445
Minority interest	6,230	7,677	8,649	9,669
Total liabilities & equity	338,970	343,952	350,071	356,284

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	12.3	12.3	12.4	12.5
Pre-tax margin	3.7	4.1	4.3	4.5
Net margin	2.9	3.0	3.1	3.2
ROA	n.a.	n.a.	n.a.	n.a.
Growth				
Turnover	n.a.	n.a.	n.a.	n.a.
EBITDA	n.a.	n.a.	n.a.	n.a.
Pre-tax profit	n.a.	n.a.	n.a.	n.a.
Net profit	n.a.	n.a.	n.a.	n.a.
Net profit (adj.)	(4.3)	11.0	7.7	4.8
EPS	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	56.9	55.7	55.5	55.1
Debt to equity	138.9	133.8	133.4	132.1
Net debt/(cash) to equity	134.9	129.4	128.8	127.5
Interest cover (x)	3.9	4.0	4.2	4.3

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