

# BERLI JUCKER PLC

No. 144/2024  
16 August 2024

## CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 02/04/24

### Company Rating History:

Date	Rating	Outlook/Alert
16/08/21	A	Stable
09/08/19	A+	Negative
08/08/16	A+	Stable
17/02/16	A+	Alert Developing
25/11/14	A+	Stable
13/08/14	A+	Alert Developing
15/06/07	A+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Berli Jucker PLC (BJC) and the ratings on BJC's outstanding senior unsecured debentures at "A", with a "stable" rating outlook. At the same time, TRIS Rating assigns a rating of "A" to BJC's proposed issue of up to THB7 billion senior unsecured debentures and an additional greenshoe portion of up to THB6 billion, with a tenor of up to 10 years. The company intends to use proceeds from the new debenture issuance for debt refinancing, funding investments, and/or for working capital needs.

The ratings reflect BJC's strong market positions across its core businesses, coupled with its diverse income streams and extensive market coverage. The ratings also consider the improved operating performance. However, these strengths are tempered by BJC's heavily leveraged balance sheet and intense competition in the retail and consumer products sectors. We also factor in the persistently high household debt levels of the Thai population which could affect consumer spending.

## KEY RATING CONSIDERATIONS

### Expansion, recovery of same-store sales to drive retail revenue

In 2023, the company reported retail sales through Big C Supercenter PLC (BIGC) of THB101 billion, marking a 4.3% increase from the previous year. The growth was driven by a 2.3% same-store sales growth (SSSG) and new store expansion. In the first half of 2024, slow economic recovery and persistently high household debt led to low consumer spending.

We expect BIGC's retail sales to increase, with a projected annual growth rate of mid- to high-single digits during 2024-2026. The sales growth is expected to be primarily driven by new store expansion. We anticipate BIGC's SSSG to gradually rebound in the second half of 2024, after a decline in the first half of 2024, and to grow at a low-single digit per annum over the next two years.

In terms of expansion, BIGC continues to expand its retail outlets in multi-format stores. BIGC plans to expand large stores at about 2-3 stores, 5-10 supermarkets, and 200-300 small format stores per year. The number of small-format stores is increasing significantly compared with others, aiming to reach consumers in the community and achieve wider market coverage. BIGC strongly focuses on enhancing the fresh food segment, renovating and modernizing large stores, as well as increasing rental space with the aim to attract more traffic.

### Rental and service income to rebound

During the next three years, we expect a continued improvement in BIGC's rental and service income, despite challenges from new supply. We project rental and service income to reach THB9.4-THB11.0 billion per annum, with occupancy rates approaching about 90% during 2024-2026. BIGC's property strategy going forward is to focus on revitalizing and upgrading its existing stores, expanding rental space, and optimizing the mix of tenants to meet the needs of customers with the goal to attract more traffic.

In 2023, BIGC had net leasable rental space of 1.02 million square meters (excluding open-air markets), with an occupancy rate of about 87%. The company reported revenue from rental property at about THB9.3 billion, or a 3% increase from the previous year. However, the rental and service income

declined by about 1% year-on-year (y-o-y) to THB4.7 billion in the first half of 2024 due to a sluggish economic recovery and decrease in utility service income.

#### **Premiumization, new products to drive non-retail sales**

We expect the packaging business to grow strongly, particularly in the aluminum can business, driven by solid demand for canned packaging in the non-alcoholic beverage sector particularly. For the glass segment, we expect a growth in sales in the food and cosmetics segment. Also, the company is expanding its market by introducing more premium and innovative products such as aluminum bottles, as well as cosmetic and deodorant glass bottles. Emphasizing the development of new products and the strategy of premiumization is expected to increase sales in new markets over the next few years. Profitability in the packaging segment is expected to improve compared with last year, driven by a decrease in the prices of key raw materials and the adoption of advanced production technologies. In 2023, sales in the packaging business grew by 1% and increased by 3% y-o-y in the first half of 2024.

In the consumer product business, we expect growth opportunities through the introduction of new products and premium product offerings. This includes launching snacks with new flavors, introducing personal care products with new scents, and expanding its private label offerings. The innovative products and private brand products not only boost sales but also significantly enhance profit margins. Although sales in this business segment declined slightly in 2023, they grew by 2.8% in the first half of 2024, driven by personal care products, particularly the case with the Parrot brand, which has gained market share and strengthened its presence, and improving revenue of the trading business in Vietnam.

The company's medical and technical product business, especially the medical equipment segment was adversely affected by delays in government formation and budget allocation. In the second half of 2024, sales in this business pose to rise, driven by the disbursement of government budgets and should rebound in 2025. Also, the company has entered the growing beauty and wellness market. In 2023, the medical and technical product business grew by about 2% and its sales dropped slightly in the first half of 2024.

#### **Operating results expected to improve**

Our baseline projection forecasts BJC's revenue to reach around THB170-THB190 billion per year during 2024-2026. The projected revenue growth would mainly be driven by increasing sales in the retail business bolstered chiefly by the new outlet opening, a rebound in non-retail sales, and improving mall incomes.

We project an EBITDA margin of around 12.5%-13.0% over the forecast period. The profit margin assumptions factor in the increasing profitability in the retail business and improving profit margin in the packaging and consumer product businesses as pressure from key raw material costs decline. BJC is focusing on adopting advanced technology in its production processes, reducing waste, and adjusting the mix of key raw materials. Also, the company plans to introduce new products, including premium products, to widen profit margins. We project BJC's EBITDA to be THB22-THB25 billion annually in 2024-2026.

#### **High financial leverage but a gradual decline expected**

BJC's financial leverage remains high, with the adjusted debt totaling THB163.7 billion at the end of June 2024. The debt to EBITDA ratio was about 7.4 times and the ratio of funds from operations (FFO) to debt was about 9%.

Over the next three years, we expect BJC's leverage to remain high but gradually decline, factoring in the necessary capital expenditures aimed at retail outlet expansion, facilities maintenance, production capacity enhancements, and improved profitability. We expect annual capital expenditures to be around THB10-THB12 billion. We expect BJC's cash flow against debt obligations to steadily decline, driven by enhanced EBITDA resulting from effective cost control initiatives. Our projections forecast the debt to EBITDA ratio to range between 6.5-7.5 times during the next three years, and the FFO to debt ratio to range 9%-10%.

#### **Adequate liquidity**

Its primary liquidity sources include cash on hand of around THB4.6 billion at the end of June 2024, an undrawn short-term loan facility of about THB16.2 billion, and expected FFO of around THB14 billion. The primary uses of funds are long-term debts and bonds maturing amounting to THB13.5 billion during the remainder of 2024, lease obligations of around THB1.1 billion, and capital expenditures of THB10 billion for 2024.

#### **Debt structure**

As of June 2024, BJC's consolidated debt, excluding lease liabilities, amounted to THB148.4 billion. The company's priority debt consisted of about THB1.3 billion secured loans and debts owed by its subsidiary. The priority debt to total debt ratio was about 1% at the end of June 2024.

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**BASE-CASE ASSUMPTIONS**

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- Revenues to reach around THB170-THB190 billion per year during 2024-2026.
- EBITDA margin at 12.5%-13.0%.
- Capital spending of about THB10-THB12 billion per year during the forecast period.

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**RATING OUTLOOK**

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The “stable” outlook reflects our expectation that BJC will maintain its strong market position in its key businesses. We also expect BJC to deliver improved operating results. BJC’s financial leverage ratio should gradually decline in the medium term, with its debt to EBITDA ratio remaining in line with our forecast.

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**RATING SENSITIVITIES**

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The ratings and/or outlook could be revised downward if BJC’s operating performance falls significantly short of our expectations or if the company undertakes substantial debt-funded investments or acquisitions, resulting in a debt-to-EBITDA ratio exceeding 8 times for an extended period. Conversely, an upgrade scenario could materialize with significant improvement in BJC’s cash flow protection and a substantial reduction in financial leverage, with the debt-to-EBITDA ratio remaining consistently below 5 times.

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**COMPANY OVERVIEW**

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BJC was founded in 1882 as a trading and service company and listed on the Stock Exchange of Thailand (SET) in 1975. As of May 2024, TCC Corporation Limited (TCC Group), one of the largest business conglomerates in Thailand, held about 76% of BJC’s outstanding shares.

BJC’s original businesses include the production and distribution of glass bottles, aluminum cans, consumer products, medicine and medical equipment, and technical products. In 2016, BJC acquired BIGC, for an acquisition cost of nearly THB210 billion. The acquisition was funded by two rights offerings and new bank loans.

In 2023, BJC’s total sales were THB14.7 billion. The largest revenue contribution came from the retail business, or BIGC, accounting for about 65% of total sales, followed by the packaging business of 16%, the consumer product business of 14%, and the healthcare and technical product business of 6%. In addition, BIGC generated THB9.3 billion in rental and service income.

**KEY OPERATING PERFORMANCE**

**Table 1: BJC's Sales Breakdown**

Line of Business	2021		2022		2023		Jan-Jun 2024	
	Mil. THB	%	Mil. THB	%	Mil. THB	%	Mil. THB	%
Packaging	19,937	14.4	24,821	16.5	25,006	16.2	12,656	16.1
Consumer	22,685	16.4	21,410	14.2	21,121	13.7	10,814	13.8
Healthcare and technical	9,064	6.5	8,880	5.9	9,073	5.9	4,519	5.8
Modern retail (BIGC)	91,302	65.9	96,490	64.2	101,124	65.3	51,235	65.4
Others	615	0.4	712	0.5	45	0.0	-	-
Intra-group eliminations	(5,138)	(3.7)	(1,975)	(1.3)	(1,697)	(1.1)	(852)	(1.1)
<b>Total sales</b>	<b>138,465</b>	<b>100.0</b>	<b>150,338</b>	<b>100.0</b>	<b>154,672</b>	<b>100.0</b>	<b>78,372</b>	<b>100.0</b>

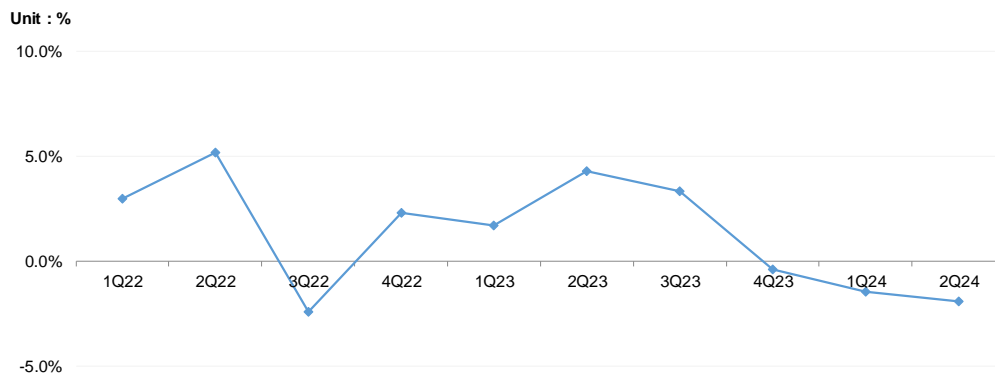
Source: BJC

**Table 2: BIGC's Modern Trade Retail Outlets as of June 2024**

Type of Store	Number of Outlet
Hypermarket <small>Including 1 store in Cambodia and 1 store in Laos</small>	157
Supermarket <small>((Including BIGC market, foodplace, depot, and food service, and BIGC Hong Kong)</small>	86
Convenience store	1,592
Drugstore	144

Source: BJC

**Chart 1: BIGC's Same-Store-Sales Growth (Retail and B2B) (y-o-y)**



Source: BJC

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***
*Unit: Mil. THB*

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	84,912	167,895	163,521	149,886	157,536
Earnings before interest and taxes (EBIT)	6,509	11,696	11,134	9,918	10,779
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	11,364	21,230	20,419	19,482	20,086
Funds from operations (FFO)	6,901	14,784	14,682	13,390	13,795
Adjusted interest expense	2,914	5,488	4,908	5,282	5,453
Capital expenditures	2,775	9,051	5,601	3,355	6,106
Total assets	336,517	338,970	336,045	329,879	326,883
Adjusted debt	163,674	165,479	164,973	163,850	166,710
Adjusted equity	125,325	125,896	124,149	121,304	119,683
<b>Adjusted Ratios</b>					
EBITDA margin (%)	13.4	12.6	12.5	13.0	12.8
Pretax return on permanent capital (%)	4.2 **	4.0	3.8	3.4	3.7
EBITDA interest coverage (times)	3.9	3.9	4.2	3.7	3.7
Debt to EBITDA (times)	7.4 **	7.8	8.1	8.4	8.3
FFO to debt (%)	8.8 **	8.9	8.9	8.2	8.3
Debt to capitalization (%)	56.6	56.8	57.1	57.5	58.2

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

**Berli Jucker PLC (BJC)**

<b>Company Rating:</b>	<b>A</b>
<b>Issue Ratings:</b>	
BJC249A: THB7,000 million senior unsecured debentures due 2024	A
BJC253A: THB1,000 million senior unsecured debentures due 2025	A
BJC259A: THB3,000 million senior unsecured debentures due 2025	A
BJC269A: THB20,000 million senior unsecured debentures due 2026	A
BJC271A: THB5,000 million senior unsecured debentures due 2027	A
BJC272A: THB2,000 million senior unsecured debentures due 2027	A
BJC273B: THB3,000 million senior unsecured debentures due 2027	A
BJC276A: THB4,000 million senior unsecured debentures due 2027	A
BJC279A: THB1,000 million senior unsecured debentures due 2027	A
BJC283A: THB7,000 million senior unsecured debentures due 2028	A
BJC283B: THB6,500 million senior unsecured debentures due 2028	A
BJC293A: THB5,000 million senior unsecured debentures due 2029	A
BJC296A: THB1,500 million senior unsecured debentures due 2029	A
BJC299A: THB7,000 million senior unsecured debentures due 2029	A
BJC303A: THB3,000 million senior unsecured debentures due 2030	A
BJC306A: THB4,003.4 million senior unsecured debentures due 2030	A
BJC316A: THB1,000 million senior unsecured debentures due 2031	A
BJC346A: THB1,000 million senior unsecured debentures due 2034	A
Up to THB7,000 million senior unsecured debentures and additional greenshoe portion of up to THB6,000 million due within 10 years	A
<b>Rating Outlook:</b>	<b>Stable</b>

**TRIS Rating Co., Ltd.**

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