

Berli Jucker Pcl (BJC TB) - Under Review

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News Update**To acquire 100% in MM Mega Market in Vietnam**

- **The acquisition price is Bt22.5bn.**
 - **This implies 1.26x price/sales and 40.7x 2024 PE.**
 - **BJC expects earnings accretion from 1st acquisition year.**
 - **As current price is 19% below our TP, we put U.R. rating.**
- BJC disclosed that it plans to acquire 100% shares of TCC Land Int'l (Singapore) Pte Ltd (TCCLI), a holding company with its sole investment in MM Mega Market (Vietnam) Co Ltd "MMVN".
 - This is a connected transaction as TCC Corporation Co Ltd (TCCC), a 45.7% major shareholder of BJC, is also a major shareholder of MMVN. An EGM will be held on Feb 13th 2026 and it requires no less than ¾ votes of attending shareholders. The company expects the transaction closing by end 1Q26.
 - We view the acquisition price as expensive at 1.26x price-to-sales ratio (using 2024 sales) and at 40.7x 2024 PE and 38.8x 2025F PE (based on IFA forecasted 2025F net profit). This high acquisition price provides little room of errors in estimating MM Mega Market profit to cover borrowing cost. BJC guides for a 2.25% bridging loan cost for one year and two months and then will be refinanced by debentures with an estimated cost of 2.58%.
 - Note that MMVN has been making profit since 2018 after TCCC acquired it in 2015. Drivers were improving gross margin (from 4.4% in 2015 to 14.9% in 2024, leading to a 3.1% net margin last year from -4.9% in 2015) from a shift in customer mix from 100% B2B customers (as a wholesale business) to 55% last year, rising private-label sales contribution to 13.6% in 9M25, and more direct sourcing. Its 2024 net profit was Bt553m.
 - Based on IFA's profit forecast for MMVN with an 18% four-year net profit CAGR from Bt580m for 2025F to Bt1,124m for 2029F and suggested cost of debt of 2.25-2.58%, an earnings accretion to our current earnings forecast will be 7/8/9/10% in 2026-29F. This will lift our current 5% four-year EPS CAGR for BJC to 7%. IFA estimates are based on MMVN's store expansion from 30 branches at present to 54 branches by 2030. However, there are five store formats, 12 of 24 new stores will be in smaller-store formats; seven food-service stores (1,000-2,500 sqm each) and five Depot stores (500-700 sqm each), vs average store size of 3,500-8,000 sqm each for cash and carry stores.
 - As MMVN's current profitability has increased to comparable levels with that of BJC's BIGC Thailand (17.8% gross margin, 2.7% net margin in 9M25, 16.4% private-label sales mix) and MMVN continues its cash and carry store expansion with a 60% B2B sales target in 2030, it will be challenging for its gross margin expansion (it targets to grow gross margin further by 50-75bp in 2026). If we assume a slower a 10% four-year net profit CAGR for MMVN, an earnings accretion to our BJC's current profit forecast will be small at 2/2/4/5% in 2026-29F.

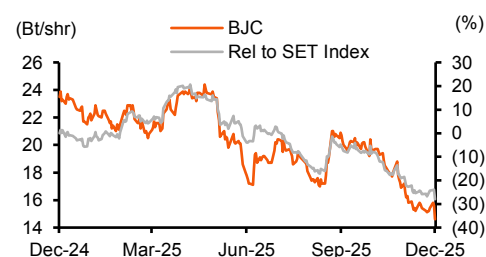
Key Valuations

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	157,727	159,768	159,380	162,093
Net profit	4,001	4,329	4,738	4,934
Norm net profit	4,610	4,571	4,738	4,934
Norm EPS (Bt)	1.2	1.1	1.2	1.2
Norm EPS gr (%)	(2.1)	(0.8)	3.7	4.1
Norm PE (x)	12.6	12.7	12.3	11.8
EV/EBITDA (x)	8.8	8.7	8.5	8.4
P/BV (x)	0.5	0.5	0.5	0.5
Div. yield (%)	4.9	5.2	5.7	5.9
ROE (%)	3.8	3.8	3.9	4.0
Net D/E (%)	110.4	107.9	106.6	107.0

Source: Thanachart estimates

Stock Data

Closing price (Bt)	14.60
Target price (Bt)	18.00
Market cap (US\$ m)	1,858
Avg daily turnover (US\$ m)	2.9
12M H/L price (Bt)	24.40/15.10

Price Performance

Source: Bloomberg

- While we view the high acquisition price as negative, BJC's share price already fell by 6% yesterday and it is now 19% below our current Bt18.0 DCF TP, we put our recommendation under review (current rating is a SELL).

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