

# Berli Jucker

BJC TB / BJC.BK

12 November 2013

## Clear slowdown in 3Q13

### 10% below our estimate

BJC reported a 3Q13 net profit of Bt535m, down by 13% YoY and 16% QoQ, due mainly to weaker performances by the Industrial and Consumer supply chains. The figure was 10% below our estimate because SG&A expenses were higher than modeled and other income was lower than assumed.

### Results highlights

The sales and profit of the Industrial supply chain both fell by 4% YoY to Bt4bn and Bt354m, respectively, due to a decline in sales of glass packaging and aluminum cans in tandem with weaker domestic demand for alcoholic drinks, soft drinks and energy drinks.

Consumer supply chain sales rose by 34% YoY and 4% QoQ to Bt3.8bn, led by higher food sales and the consolidation of Thai An (a distributor in Vietnam) since March, which more than offset the effect of lower sales of personal care products. However, higher raw material prices—particularly of crude palm oil and coconut oil—and higher marketing expenses squeezed the chain's profit by 7% YoY and 45% QoQ to Bt103m.

Healthcare & Technical supply chain sales fell 13% YoY to Bt1.9bn from the high base set by 3Q12 (when BJC delivered a big-ticket contract for Da Vinci robotic surgery machines), but rose 11% QoQ, due to improved sales among the pharmaceutical and medical subdivisions.

### Outlook

4Q13 numbers should improve QoQ on seasonality, but we expect only a small YoY improvement, as the ongoing consumption slowdown remains a headwind.

### What's changed?

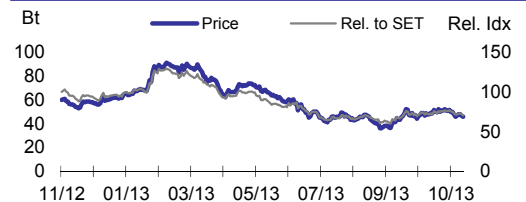
We have trimmed our FY13 earnings forecast by 4% to reflect weaker-than-expected results. As such, our YE14 target price declines slightly to Bt42.25 from Bt43.25.

### Recommendation

We think it is still not a good time to take positions in BJC. Apart from there being no upside to our YE14 DCF-derived target price, we believe the current PER of 26.8x for FY14 is too high for a company with only a moderate three-year earnings CAGR of 13% (FY14-16). Our HOLD rating stands.

**Sector: Consumer/Retail Neutral**
**Rating: HOLD**
**Target Price: Bt42.25**
**Price (11 November 2013): Bt45.75**

### Price chart

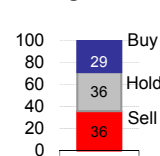


Share price perf. (%)	1M	3M	12M
Relative to SET	(3.1)	(0.0)	(32.0)
Absolute	(6.6)	(3.7)	(23.4)

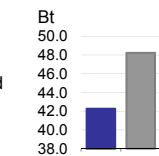
### Key statistics

Market cap	Bt72.8bn	USD2.3bn
12-mth price range	Bt34.0/Bt92.8	
12-mth avg daily volume	Bt353m	USD11.2m
# of shares (m)	1,590	
Est. free float (%)	29.9	
Foreign limit (%)	49.0	

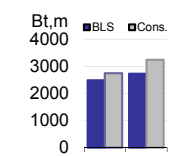
### Consensus rating



### BLS Target price vs. Consensus



### BLS earnings vs. Consensus



### Financial summary

FY Ended 31 Dec	2012	2013E	2014E	2015E
Revenues (Btm)	37,429	42,185	46,055	49,889
Net profit (Btm)	2,415	2,479	2,725	3,078
EPS (Bt)	1.52	1.56	1.71	1.93
EPS growth (%)	+12.8%	+2.5%	+9.7%	+12.7%
Core profit (Btm)	2,328	2,379	2,725	3,078
Core EPS (Bt)	1.47	1.49	1.71	1.93
Core EPS growth (%)	+10.3%	+2.0%	+14.3%	+12.7%
PER (x)	32.4	29.4	26.8	23.8
PBV (x)	4.8	4.1	3.8	3.5
Dividend (Bt)	0.8	0.9	0.9	1.1
Dividend yield (%)	1.7	1.9	2.1	2.3
ROE (%)	18.4	17.3	17.4	17.9

### CG rating

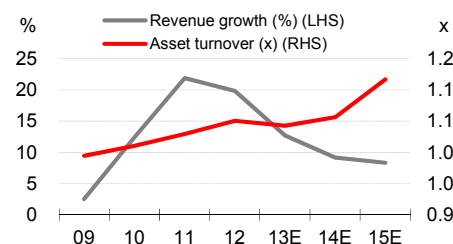

 Chaivatorn Sricharoen, CFA  
 chaivatorn@bualuang.co.th

+66 2 618 1344

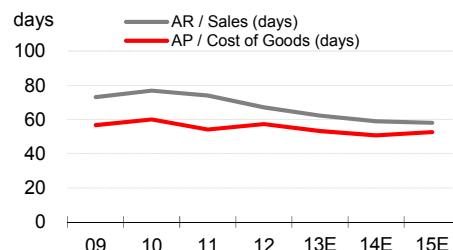
## BJC : Financial Tables – Year

PROFIT & LOSS (Btm)	2011	2012	2013E	2014E	2015E
Revenue	31,235	37,429	42,185	46,055	49,889
Cost of sales and services	(23,519)	(28,402)	(31,865)	(34,804)	(37,657)
<b>Gross profit</b>	<b>7,715</b>	<b>9,027</b>	<b>10,319</b>	<b>11,251</b>	<b>12,232</b>
SG&A	(4,820)	(6,116)	(7,075)	(7,648)	(8,249)
<b>EBIT</b>	<b>2,896</b>	<b>2,911</b>	<b>3,244</b>	<b>3,602</b>	<b>3,982</b>
Finance costs	(366)	(503)	(584)	(636)	(612)
Other income/exp.	444	539	504	607	626
<b>EBT</b>	<b>2,974</b>	<b>2,947</b>	<b>3,165</b>	<b>3,574</b>	<b>3,997</b>
Corporate tax	(672)	(605)	(583)	(630)	(697)
<b>After-tax net profit (loss)</b>	<b>2,302</b>	<b>2,342</b>	<b>2,582</b>	<b>2,945</b>	<b>3,300</b>
Minority interest	(238)	(80)	(277)	(303)	(316)
Equity earnings from affiliates	46	66	74	84	94
Extra items	30	87	100	0	0
<b>Net profit (loss)</b>	<b>2,140</b>	<b>2,415</b>	<b>2,479</b>	<b>2,725</b>	<b>3,078</b>
Reported EPS	1.35	1.52	1.56	1.71	1.93
<b>Fully diluted EPS</b>	<b>1.35</b>	<b>1.51</b>	<b>1.55</b>	<b>1.70</b>	<b>1.92</b>
<b>Core net profit</b>	<b>2,110</b>	<b>2,328</b>	<b>2,379</b>	<b>2,725</b>	<b>3,078</b>
Core EPS	1.33	1.47	1.49	1.71	1.93
<b>EBITDA</b>	<b>5,122</b>	<b>5,201</b>	<b>5,768</b>	<b>6,470</b>	<b>7,039</b>
<b>KEY RATIOS</b>					
Revenue growth (%)	21.9	19.8	12.7	9.2	8.3
Gross margin (%)	24.7	24.1	24.5	24.4	24.5
EBITDA margin (%)	16.4	13.9	13.7	14.0	14.1
Operating margin (%)	10.7	9.2	8.9	9.1	9.2
Net margin (%)	6.9	6.5	5.9	5.9	6.2
Core profit margin (%)	6.8	6.2	5.6	5.9	6.2
ROA (%)	7.1	6.8	6.1	6.3	6.9
ROCE (%)	9.2	8.8	7.9	7.9	8.8
Asset turnover (x)	1.0	1.1	1.0	1.1	1.1
Current ratio (x)	1.6	1.4	1.3	1.5	1.8
Gearing ratio (x)	0.8	0.8	0.9	0.8	0.7
Interest coverage (x)	7.9	5.8	5.6	5.7	6.5
<b>BALANCE SHEET (Btm)</b>					
Cash & Equivalent	1,828	2,015	1,793	1,785	1,714
Accounts receivable	6,322	6,871	7,190	7,430	7,920
Inventory	5,124	6,864	8,132	8,442	8,675
PP&E-net	14,143	16,583	19,190	20,560	20,268
Other assets	5,582	5,927	6,360	6,301	6,246
<b>Total assets</b>	<b>32,999</b>	<b>38,260</b>	<b>42,665</b>	<b>44,518</b>	<b>44,824</b>
Accounts payable	3,489	4,460	4,644	4,826	5,420
ST debts & current portion	3,198	4,828	6,228	4,595	2,400
Long-term debt	7,912	8,344	9,795	11,500	11,500
Other liabilities	3,870	4,345	4,377	4,410	4,445
<b>Total liabilities</b>	<b>18,469</b>	<b>21,976</b>	<b>25,043</b>	<b>25,331</b>	<b>23,766</b>
Paid-up capital	1,588	1,588	1,591	1,595	1,598
Share premium	3,751	3,751	3,881	4,011	4,141
Retained earnings	7,673	8,865	9,931	11,212	12,792
<b>Shareholders equity</b>	<b>12,543</b>	<b>13,728</b>	<b>14,927</b>	<b>16,341</b>	<b>18,054</b>
Minority interests	1,987	2,556	2,694	2,846	3,004
<b>Total Liab.&amp;Shareholders' equity</b>	<b>32,999</b>	<b>38,260</b>	<b>42,665</b>	<b>44,518</b>	<b>44,824</b>
<b>CASH FLOW (Btm)</b>					
Net income	2,140	2,415	2,479	2,725	3,078
Depreciation and amortization	1,783	1,751	2,019	2,261	2,430
Change in working capital	(1,104)	(740)	(1,403)	(368)	(129)
FX, non-cash adjustment & others	341	233	787	855	834
<b>CF from operating activities</b>	<b>3,159</b>	<b>3,659</b>	<b>3,882</b>	<b>5,473</b>	<b>6,213</b>
Capex (Invest)/Divest	(3,362)	(3,819)	(5,092)	(3,607)	(2,112)
Others	90	(73)	0	0	0
<b>CF from investing activities</b>	<b>(3,272)</b>	<b>(3,892)</b>	<b>(5,092)</b>	<b>(3,607)</b>	<b>(2,112)</b>
Debt financing (repayment)	2,034	1,563	2,268	(564)	(2,806)
Equity financing	0	288	133	133	133
Dividend payment	(1,146)	(1,345)	(1,413)	(1,443)	(1,499)
Others	90	(73)	0	0	0
<b>CF from financing activities</b>	<b>784</b>	<b>505</b>	<b>987</b>	<b>(1,874)</b>	<b>(4,172)</b>
Net change in cash	671	272	(222)	(8)	(71)
<b>Free cash flow (Btm)</b>	<b>(203)</b>	<b>(160)</b>	<b>(1,209)</b>	<b>1,866</b>	<b>4,101</b>
<b>FCF per share (Bt)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.8)</b>	<b>1.2</b>	<b>2.6</b>
<b>Key Assumptions</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
Industrial sales growth	12.0%	15.3%	3.6%	5.0%	5.0%
Consumer sales growth	21.1%	19.3%	34.6%	14.8%	10.0%
Healthcare/Technical sales growth	44.2%	13.5%	-1.7%	11.0%	15.0%

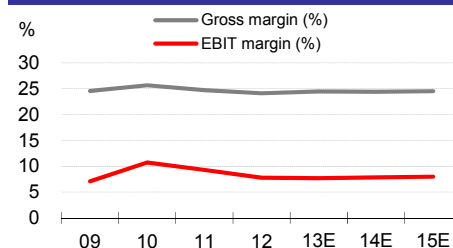
### Revenue growth and asset turnover



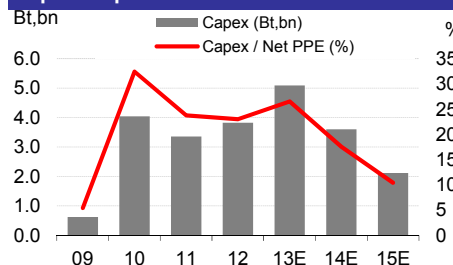
### A/C receivable & A/C payable days



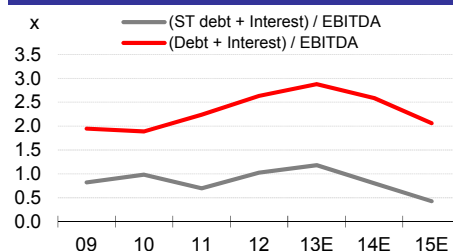
### Profit margins



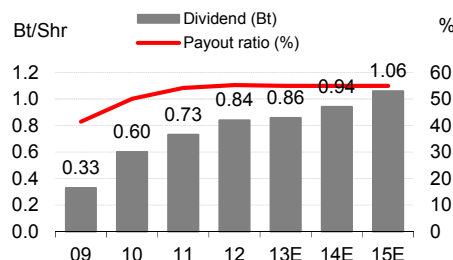
### Capital expenditure



### Debt serviceability



### Dividend payout



## BJC : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	3Q12	4Q12	1Q13	2Q13	3Q13
Revenue	9,758	9,616	10,359	10,477	10,327
Cost of sales and services	(7,415)	(7,344)	(7,759)	(7,936)	(7,824)
Gross profit	2,343	2,272	2,600	2,540	2,503
SG&A	(1,604)	(1,661)	(1,708)	(1,709)	(1,761)
<b>EBIT</b>	<b>739</b>	<b>611</b>	<b>892</b>	<b>831</b>	<b>742</b>
Finance costs	(132)	(116)	(139)	(133)	(153)
Other income/exp.	85	250	85	101	76
<b>EBT</b>	<b>692</b>	<b>744</b>	<b>838</b>	<b>799</b>	<b>665</b>
Corporate tax	(161)	(103)	(153)	(151)	(122)
After-tax net profit (loss)	531	642	685	649	542
Minority interest	12	(87)	(33)	(125)	(33)
Equity earnings from affiliates	15	10	5	23	20
Extra items	56	36	8	86	5
<b>Net profit (loss)</b>	<b>614</b>	<b>601</b>	<b>665</b>	<b>633</b>	<b>535</b>
Reported EPS	0.39	0.38	0.42	0.40	0.34
<b>Fully diluted EPS</b>	<b>0.39</b>	<b>0.38</b>	<b>0.42</b>	<b>0.40</b>	<b>0.34</b>
<b>Core net profit</b>	<b>558</b>	<b>565</b>	<b>657</b>	<b>547</b>	<b>529</b>
Core EPS	0.35	0.36	0.41	0.34	0.33
<b>EBITDA</b>	<b>1,277</b>	<b>1,282</b>	<b>1,428</b>	<b>1,425</b>	<b>1,342</b>

### KEY RATIOS

Gross margin (%)	24.0	23.6	25.1	24.2	24.2
EBITDA margin (%)	13.1	13.3	13.8	13.6	13.0
Operating margin (%)	7.6	6.4	8.6	7.9	7.2
Net margin (%)	6.3	6.3	6.4	6.0	5.2
Core profit margin (%)	5.7	5.9	6.3	5.2	5.1
BV (Bt)	9.7	10.3	11.0	11.1	11.1
ROE (%)	18.8	17.9	19.0	17.9	15.2
ROA (%)	6.8	6.4	6.8	6.1	5.0
Current ratio (x)	1.5	1.4	1.4	1.3	1.2
Gearing ratio (x)	0.8	0.8	0.8	0.9	0.9
Interest coverage (x)	5.6	5.2	6.4	6.2	4.9

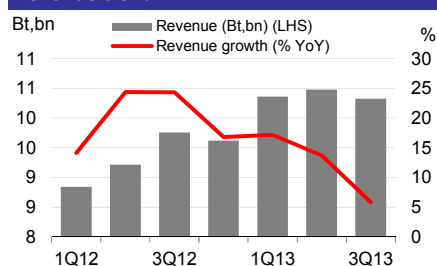
### QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,882	2,015	1,548	1,471	1,659
Accounts receivable	7,192	6,871	7,013	7,137	6,837
Inventory	6,549	6,864	7,084	7,391	8,251
PP&E-net	15,332	16,583	17,221	17,940	18,238
Other assets	5,971	5,927	7,657	8,140	8,010
<b>Total assets</b>	<b>36,926</b>	<b>38,260</b>	<b>40,522</b>	<b>42,079</b>	<b>42,996</b>
Accounts payable	4,514	4,460	4,476	4,616	4,718
ST debts & current portion	3,782	4,828	4,856	6,303	6,917
Long-term debt	8,731	8,344	9,009	8,835	9,233
Other liabilities	4,456	4,345	4,658	4,698	4,532
<b>Total liabilities</b>	<b>21,482</b>	<b>21,976</b>	<b>22,999</b>	<b>24,452</b>	<b>25,400</b>
Paid-up capital	1,588	1,588	1,588	1,590	1,590
Share premium	3,751	3,751	3,751	3,854	3,863
Retained earnings	8,263	8,865	9,530	9,337	9,172
<b>Shareholders equity</b>	<b>13,109</b>	<b>13,728</b>	<b>14,215</b>	<b>14,124</b>	<b>14,028</b>
Minority interests	2,335	2,556	3,308	3,504	3,568
<b>Total Liab.&amp;Shareholders' equity</b>	<b>36,926</b>	<b>38,260</b>	<b>40,522</b>	<b>42,079</b>	<b>42,996</b>
<b>Key Assumptions</b>	<b>3Q12</b>	<b>4Q12</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>
Industrial sales growth	14.3%	16.3%	8.9%	9.8%	-3.5%
Consumer sales growth	23.0%	13.5%	23.0%	38.9%	33.8%
Healthcare/Technical sales growth	52.1%	11.2%	32.6%	-12.7%	-21.8%

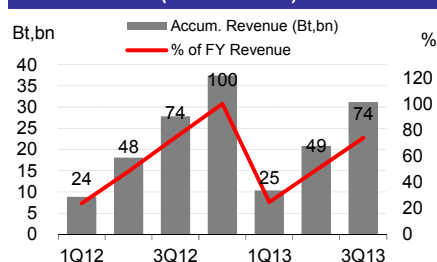
### Company profile

Berli Jucker (BJC) is Thailand's leading consumer conglomerate and integrated supply chain operator, ranging from raw material development, manufacturing, R&D, marketing and distribution.

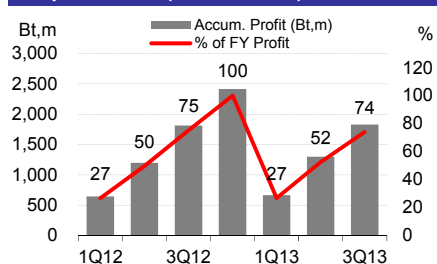
### Revenue trend



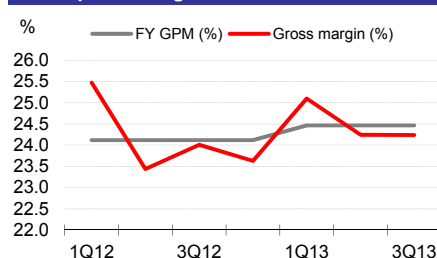
### Revenue trend (accumulated)



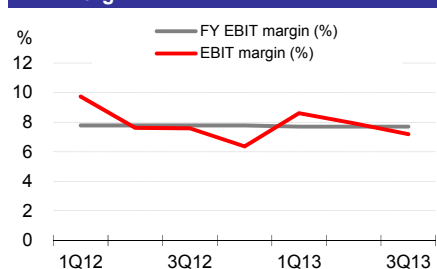
### Net profit trend (accumulated)



### Gross profit margin



### EBIT margin



**Figure 1 : 3Q13 results**

FY Ended 31 Dec (Btm)	3Q13	3Q12	YoY %	2Q13	QoQ %	9M13	9M12	YoY %	9M13 vs. FY13E
<b>Income Statement</b>									
Revenue	10,327	9,758	6	10,477	(1)	31,163	27,813	12	74
Cost of sales and services	(7,824)	(7,415)	6	(7,936)	(1)	(23,519)	(21,058)	12	74
EBITDA	1,342	1,277	5	1,425	(6)	4,195	3,919	7	73
SG&A	(1,761)	(1,604)	10	(1,709)	3	(5,179)	(4,455)	16	73
EBIT	742	739	0	831	(11)	2,465	2,300	7	76
Finance costs	(153)	(132)	16	(133)	15	(424)	(386)	10	73
Other income/exp.	76	85	(11)	101	(25)	262	289	(9)	52
Equity earnings from affiliates	20	15	37	23	(11)	47	56	(16)	63
Extra items	5	56	(90)	86	nm	100	51	98	100
<b>EBT</b>	<b>665</b>	<b>692</b>	<b>(4)</b>	<b>799</b>	<b>(17)</b>	<b>2,302</b>	<b>2,203</b>	<b>5</b>	<b>73</b>
Corporate tax	(122)	(161)	(24)	(151)	(19)	(426)	(502)	(15)	73
Minority interest	(33)	12	(369)	(125)	nm	(191)	6		69
<b>Net profit (loss)</b>	<b>535</b>	<b>614</b>	<b>(13)</b>	<b>633</b>	<b>(16)</b>	<b>1,833</b>	<b>1,813</b>	<b>1</b>	<b>74</b>
Reported EPS	0.34	0.39	(13)	0.40	(16)	1.15	1.14	1	74
<b>Core net profit</b>	<b>529</b>	<b>558</b>	<b>(5)</b>	<b>547</b>	<b>(3)</b>	<b>1,733</b>	<b>1,763</b>	<b>(2)</b>	<b>73</b>
<b>Key ratios</b>									
Gross margin (%)	24.2	24.0		24.2		24.5	24.3		
EBITDA margin (%)	13.0	13.1		13.6		13.5	14.1		
EBIT margin (%)	7.2	7.6		7.9		7.9	8.3		
SG&A / Revenue (%)	17.1	16.4		16.3		16.6	16.0		
Tax rate (%)	18.4	23.3		18.8		18.5	22.8		
Net margin (%)	5.2	6.3		6.0		5.9	6.5		
Current ratio (x)	1.2	1.5		1.3		1.2	1.5		
Gearing ratio (x)	0.9	0.8		0.9		0.9	0.8		
Interest coverage (x)	4.9	5.6		6.2		5.8	6.0		
<b>Balance Sheet</b>									
Cash & Equivalent	1,659	1,882	(12)	1,471	13				
<b>Total assets</b>	<b>42,996</b>	<b>36,926</b>	<b>16</b>	<b>42,079</b>	<b>2</b>				
ST debts & current portion	6,917	3,782	83	6,303	10				
Long-term debt	9,233	8,731	6	8,835	5				
<b>Total liabilities</b>	<b>25,400</b>	<b>21,482</b>	<b>18</b>	<b>24,452</b>	<b>4</b>				
Retained earnings	9,172	8,263	11	9,337	(2)				
<b>Shareholders equity</b>	<b>14,028</b>	<b>13,109</b>	<b>7</b>	<b>14,124</b>	<b>(1)</b>				
Minority interests	3,568	2,335	53	3,504	2				
BV (Bt)	11.1	9.7	14	11.1	(0)				

- The Industrial supply chain's sales and profit fell 4% YoY

- The Consumer supply chain's sales rose 34% YoY, but its profit declined 7% YoY

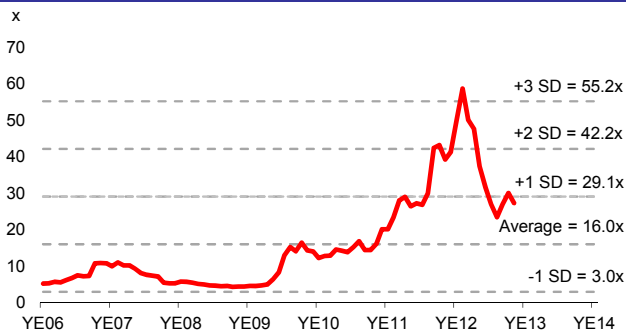
- The Healthcare & Technical chain's sales fell 13% YoY and its earnings slipped 6% YoY

Sources: Company data, Bualuang Research

## Regional Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)		EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)	
				2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Suning Appliance Co Ltd	002024 CH	CNY10.5	12,738	74.0	40.0	-64.3	97.7	2.7	2.6	2.1	2.2	0.3	0.2
Wumart Stores Inc	1025 HK	HKD12.7	2,096	20.1	18.1	12.8	13.2	3.2	2.7	17.0	16.9	2.2	2.5
Parkson Retail Group	3368 HK	HKD2.8	1,007	9.4	8.9	-18.8	8.5	10	10	112	112	4.8	4.9
Nitori Hldg Co Ltd	9843 JT	JPY9,000.0	5,189	13.2	13.0	4.8	13	2.0	18	16.7	14.8	11	12
Lawson Inc	2651JT	JPY7,560.0	7,641	20.6	19.0	10.7	8.0	3.1	2.9	15.6	15.9	2.9	3.1
Seven & I Holdings Co Ltd	3382 JT	JPY3,530.0	3,1531	17.8	16.5	27.0	7.9	15	14	8.8	8.9	19	2.1
Family Mart	8028 JP	JPY4,230.0	4,164	17.3	15.7	-94.8	9.8	16	15	10.6	9.4	2.5	2.7
President Chain Store Corp	2912 TT	TWD208.0	7,328	26.5	24.0	20.6	10.8	8.3	7.4	33.4	33.1	2.5	3.0
Capitaland Limited	CAPL SP	SGD3.0	1,358	19.0	15.4	-15.5	17.8	0.8	0.8	5.2	5.7	2.4	2.5
SM Prime Holdings Inc.	SMPH PM	PHP17.6	11,224	25.8	23.7	12.4	8.1	3.6	3.1	15.8	15.4	1.6	1.8
Home Depot	HD US	USD75.4	107,963	20.4	17.2	21.0	17.7	7.0	7.1	33.7	41.8	2.1	2.4
Costco whole sale corp	COST US	USD123.0	53,750	24.8	22.4	5.7	12.2	4.5	4.0	18.7	18.8	1.0	1.1
Carrefour	CA FP	EUR27.0	26,180	19.8	16.7	-8.3	-2.1	2.3	2.1	11.9	13.0	2.3	2.7
Home Product Center	HMPRO TB	THB1130	3,424	33.3	26.1	21.6	27.6	9.4	7.7	30.3	32.5	2.4	1.7
Big C Supercenter	BIGC TB	THB133.50	5,044	24.4	20.8	7.7	17.6	4.4	3.8	19.1	19.5	1.2	1.4
Beauty Community	BEAUTY TB	THB22.70	215	30.1	21.0	30.2	43.4	6.1	5.3	21.6	27.0	2.0	2.9
Kamarts	KAMART TB	THB5.00	96	19.6	16.1	0.7	21.9	5.0	4.4	28.4	29.9	4.8	5.2
Berli Jucker	BJC TB	THB45.75	2,299	29.6	26.9	2.7	9.9	4.1	3.8	17.3	17.4	1.9	2.1
C.P. All	CPALL TB	THB40.25	11,424	33.0	27.5	-0.5	20.1	12.0	10.3	38.7	41.1	2.2	2.5
Central Pattana	CPN TB	THB45.75	6,487	33.6	27.3	-4.1	23.1	5.4	4.8	19.6	19.0	1.2	1.5
Siam Global House	GLOBAL TB	THB13.40	1,519	49.1	29.7	60.7	65.7	4.4	3.9	9.7	13.8	0.6	1.0
Robinson Department Store	ROBINS TB	THB56.50	1,983	30.8	23.0	-12	33.9	5.2	4.5	18.7	22.2	1.6	2.2
Officemate	OFM TB	THB32.00	324	26.2	21.1	36.1	24.3	2.3	2.2	9.0	10.5	1.9	2.4
Siam Makro	MAKRO TB	THB33.50	5,081	37.6	29.3	20.3	28.1	13.6	12.1	37.7	43.7	4.6	5.2
<b>Simple average</b>				<b>27.3</b>	<b>21.6</b>	<b>3.6</b>	<b>21.9</b>	<b>4.7</b>	<b>4.2</b>	<b>18.8</b>	<b>20.2</b>	<b>3.9</b>	<b>4.6</b>

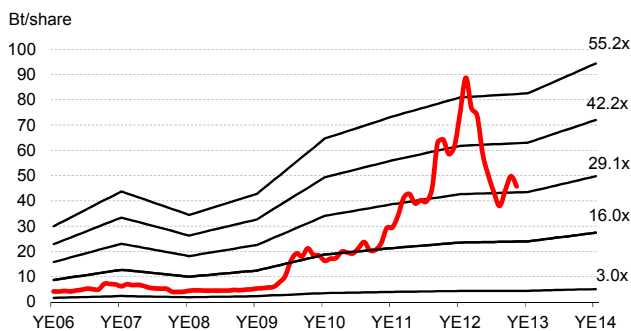
PER band versus SD (next 12 months)



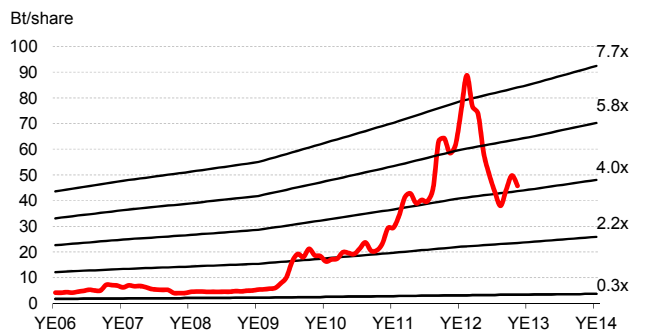
PBV band versus SD (next 12 months)



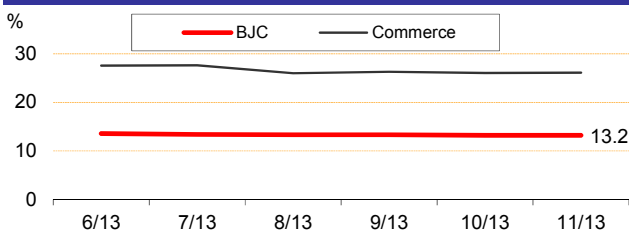
PER band and share price



PBV band and share price



Foreign holding








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Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.