

Berli Jucker

BJC TB / BJC.BK

22 November 2013

Key takeaways from analyst meeting

Investment thesis

Although BJC's share price has dived 26% and underperformed the SET by 25% YTD, we believe it is still not yet a good time to take positions. The stock will remain under pressure from the domestic consumption slowdown. Furthermore, its current valuation is unattractive. BJC currently trades at a PER of 26.9x for FY14 versus a 24x Consumer average, while its 3-year earnings CAGR, FY14-16, is only 13% against a 24.6% sector mean. We maintain our HOLD rating with a YE14 target price of Bt42.25.

Domestic business numbers continue to soften

At the analyst meeting yesterday, management said that only the Industrial Supply Chain has shown signs of recovery. Sales of glass bottles and aluminum cans in 4Q13 should improve slightly QoQ on seasonality, but are likely to be only flat in YoY terms. The Consumer Supply Chain remains weak, due to the domestic consumption slowdown. The contribution from overseas business won't help much. Although international sales comprised for 18% of 9M13 revenue, the aggregate ex-Thailand profit contribution was wafer-thin, as most of the offshore investments are still at early stages of development and have yet to bear fruit.

Update on B's Mart

B's Mart has overtaken Circle K Sunkus as the second-largest CVS chain in Vietnam with a total of 55 stores, up from 43 outlets when we visited in August. BJC is confident that its target of having 60 locations by YE13 is achievable and it eyes opening about 100 new stores next year. B's Mart currently contributes losses to BJC, but it is profitable at store level. The firm expects the CVS operation in Vietnam to post earnings once it has 300 outlets in 2016. Besides expansion, the company plans to boost existing store sales and profitability by changing product assortments to better cater to local demand and by adding house brands to the shelves.

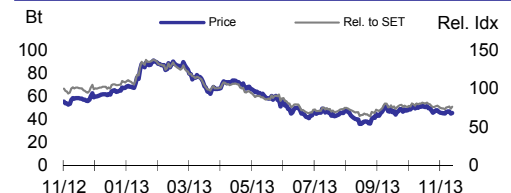
Acquisitions in the pipeline

Apart from B's Mart, BJC plans to build a retail empire in CLMV markets. The next deal is likely to be the acquisition of a CVS chain in Laos, probably sometime next year. Moreover, the firm is looking to buy a larger-format retail chain in Vietnam. BJC believes that a larger retail format, such as a hypermarket, would boost its bargaining power over suppliers more quickly than a CVS chain, thanks to greater sales volume. However, management recognizes that a large format also entails greater risk. An underperforming hypermarket operation would be a substantial burden for the company. As such, the firm won't rush into a deal.

BJC is also looking at acquiring drug factories in order to vertically integrate its Healthcare supply chain. Note that it recently integrated this chain downstream by rolling out retail drug stores, namely Ogenki. BJC expects to have eight Ogenki outlets by YE13, up from four currently.

Sector: Consumer/Retail
Rating: HOLD
Target Price: Bt42.25
Price (21 November 2013); Bt45.50

Price chart

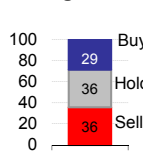


Share price perf. (%)	1M	3M	12M
Relative to SET	(3.4)	8.5	(26.3)
Absolute	(9.0)	10.3	(18.8)

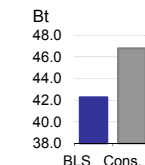
Key statistics

Market cap	Bt72.4bn	USD2.3bn
12-mth price range	Bt34.0/Bt92.8	
12-mth avg daily volume	Bt355m	USD11.2m
# of shares (m)	1,590	
Est. free float (%)	29.9	
Foreign limit (%)	49.0	

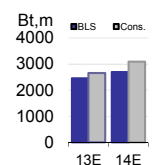
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2012	2013E	2014E	2015E
Revenues (Btm)	37,429	42,095	45,862	49,690
Net profit (Btm)	2,415	2,454	2,693	3,008
EPS (Bt)	1.52	1.54	1.69	1.88
EPS growth (%)	+12.8%	+1.4%	+9.5%	+11.5%
Core profit (Btm)	2,328	2,354	2,693	3,008
Core EPS (Bt)	1.47	1.48	1.69	1.88
Core EPS growth (%)	+10.3%	+0.9%	+14.2%	+11.5%
PER (x)	32.4	29.5	26.9	24.2
PBV (x)	4.8	4.1	3.8	3.5
Dividend (Bt)	0.8	0.8	0.9	1.0
Dividend yield (%)	1.7	1.9	2.0	2.3
ROE (%)	18.4	17.1	17.3	17.6

CG rating



Chaivatorn Sricharoen, CFA

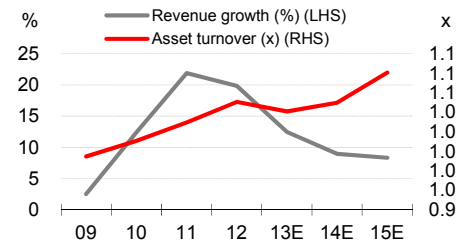
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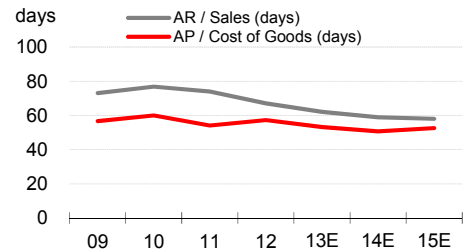
BJC : Financial Tables – Year

PROFIT & LOSS (Btm)	2011	2012	2013E	2014E	2015E
Revenue	31,235	37,429	42,095	45,862	49,690
Cost of sales and services	(23,519)	(28,402)	(31,815)	(34,663)	(37,507)
Gross profit	7,715	9,027	10,281	11,200	12,183
SG&A	(4,820)	(6,116)	(7,065)	(7,627)	(8,228)
EBIT	2,896	2,911	3,216	3,572	3,955
Finance costs	(366)	(503)	(584)	(641)	(666)
Other income/exp.	444	539	502	604	623
EBT	2,974	2,947	3,134	3,535	3,912
Corporate tax	(672)	(605)	(577)	(623)	(682)
After-tax net profit (loss)	2,302	2,342	2,557	2,912	3,230
Minority interest	(238)	(80)	(277)	(303)	(316)
Equity earnings from affiliates	46	66	74	84	94
Extra items	30	87	100	0	0
Net profit (loss)	2,140	2,415	2,454	2,693	3,008
Reported EPS	1.35	1.52	1.54	1.69	1.88
Fully diluted EPS	1.35	1.51	1.53	1.68	1.88
Core net profit	2,110	2,328	2,354	2,693	3,008
Core EPS	1.33	1.47	1.48	1.69	1.88
EBITDA	5,122	5,201	5,737	6,446	7,077
KEY RATIOS					
Revenue growth (%)	21.9	19.8	12.5	8.9	8.3
Gross margin (%)	24.7	24.1	24.4	24.4	24.5
EBITDA margin (%)	16.4	13.9	13.6	14.1	14.2
Operating margin (%)	10.7	9.2	8.8	9.1	9.2
Net margin (%)	6.9	6.5	5.8	5.9	6.1
Core profit margin (%)	6.8	6.2	5.6	5.9	6.1
ROA (%)	7.1	6.8	6.1	6.2	6.5
ROCE (%)	9.2	8.8	7.8	7.8	8.3
Asset turnover (x)	1.0	1.1	1.0	1.0	1.1
Current ratio (x)	1.6	1.4	1.3	1.5	1.8
Gearing ratio (x)	0.8	0.8	0.9	0.9	0.8
Interest coverage (x)	7.9	5.8	5.5	5.6	5.9
BALANCE SHEET (Btm)					
Cash & Equivalent	1,828	2,015	1,807	1,601	1,733
Accounts receivable	6,322	6,871	7,161	7,399	7,890
Inventory	5,124	6,864	8,108	8,398	8,650
PP&E-net	14,143	16,583	19,190	21,052	22,691
Other assets	5,582	5,927	6,360	6,301	6,246
Total assets	32,999	38,260	42,625	44,751	47,211
Accounts payable	3,489	4,460	4,630	4,802	5,404
ST debts & current portion	3,198	4,828	6,228	4,495	2,400
Long-term debt	7,912	8,344	9,795	11,900	14,000
Other liabilities	3,870	4,345	4,377	4,410	4,445
Total liabilities	18,469	21,976	25,029	25,607	26,249
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	9,906	11,169	12,696
Shareholders equity	12,543	13,728	14,902	16,298	17,959
Minority interests	1,987	2,556	2,694	2,846	3,004
Total Liab.&Shareholders' equity	32,999	38,260	42,625	44,751	47,211
CASH FLOW (Btm)					
Net income	2,140	2,415	2,454	2,693	3,008
Depreciation and amortization	1,783	1,751	2,019	2,269	2,499
Change in working capital	(1,104)	(740)	(1,364)	(356)	(142)
FX, non-cash adjustment & others	341	233	786	861	888
CF from operating activities	3,159	3,659	3,897	5,466	6,253
Capex (Invest)/Divest	(3,362)	(3,819)	(5,092)	(4,107)	(4,112)
Others	90	(73)	0	0	0
CF from investing activities	(3,272)	(3,892)	(5,092)	(4,107)	(4,112)
Debt financing (repayment)	2,034	1,563	2,268	(269)	(661)
Equity financing	0	288	133	133	133
Dividend payment	(1,146)	(1,345)	(1,413)	(1,429)	(1,481)
Others	90	(73)	0	0	0
CF from financing activities	784	505	987	(1,566)	(2,009)
Net change in cash	671	272	(208)	(206)	133
Free cash flow (Btm)	(203)	(160)	(1,195)	1,359	2,141
FCF per share (Bt)	(0.1)	(0.1)	(0.8)	0.9	1.3
Key Assumptions	2011	2012	2013E	2014E	2015E
Industrial sales growth	12.0%	15.3%	3.6%	5.0%	5.0%
Consumer sales growth	21.1%	19.3%	34.1%	14.9%	10.0%
Healthcare/Technical sales growth	44.2%	13.5%	-1.7%	11.0%	15.0%

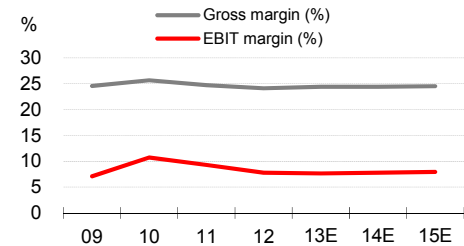
Revenue growth and asset turnover



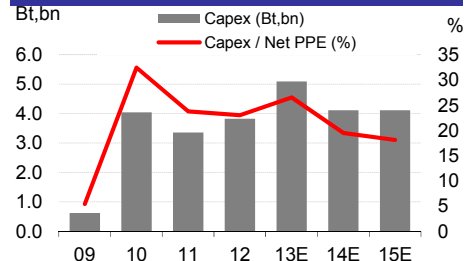
A/C receivable & A/C payable days



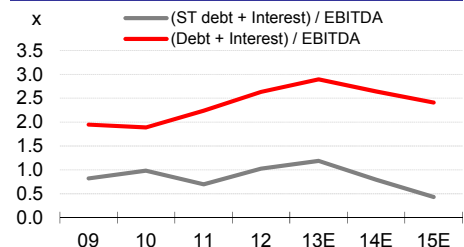
Profit margins



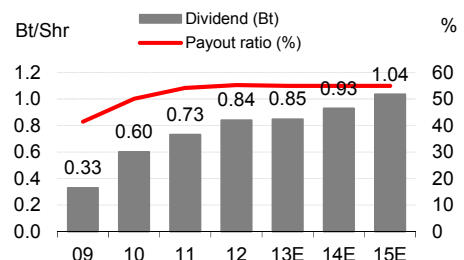
Capital expenditure



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)
EBIT	739	611	892	831	742
Finance costs	(132)	(116)	(139)	(133)	(153)
Other income/exp.	85	250	85	101	76
EBT	692	744	838	799	665
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
Net profit (loss)	614	601	665	633	535
Reported EPS	0.39	0.38	0.42	0.40	0.34
Fully diluted EPS	0.39	0.38	0.42	0.40	0.34
Core net profit	558	565	657	547	529
Core EPS	0.35	0.36	0.41	0.34	0.33
EBITDA	1,277	1,282	1,428	1,425	1,342

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

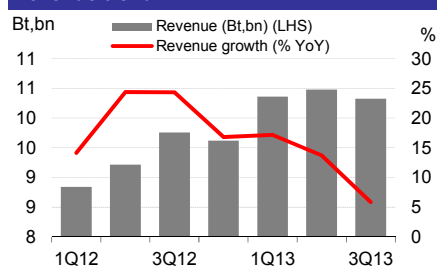
QUARTERLY BALANCE SHEET (Btm)

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
Total assets	36,926	38,260	40,522	42,079	42,996
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
Total liabilities	21,482	21,976	22,999	24,452	25,400
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
Shareholders equity	13,109	13,728	14,215	14,124	14,028
Minority interests	2,335	2,556	3,308	3,504	3,568
Total Liab.&Shareholders' equity	36,926	38,260	40,522	42,079	42,996
Key Assumptions	3Q12	4Q12	1Q13	2Q13	3Q13
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%

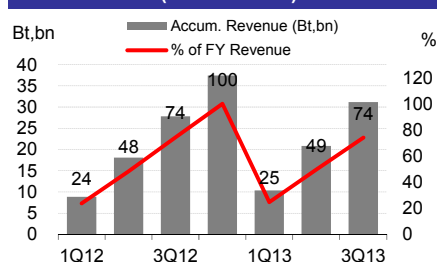
Company profile

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.

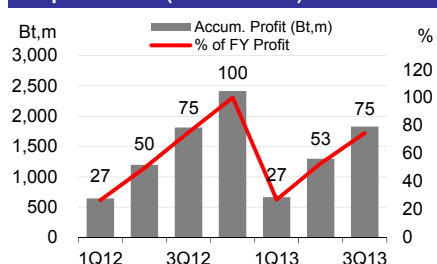
Revenue trend



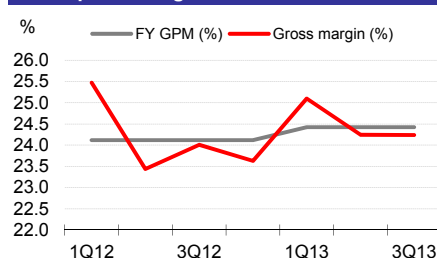
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

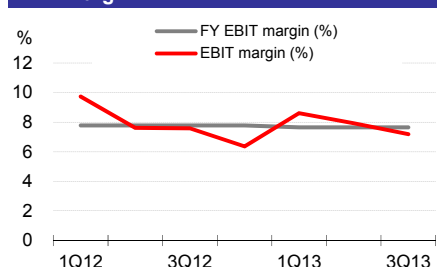
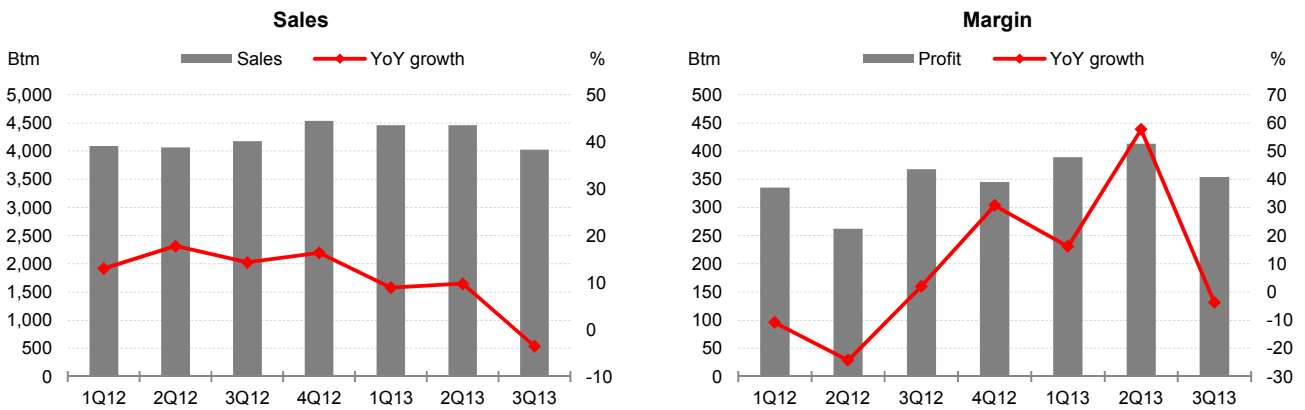
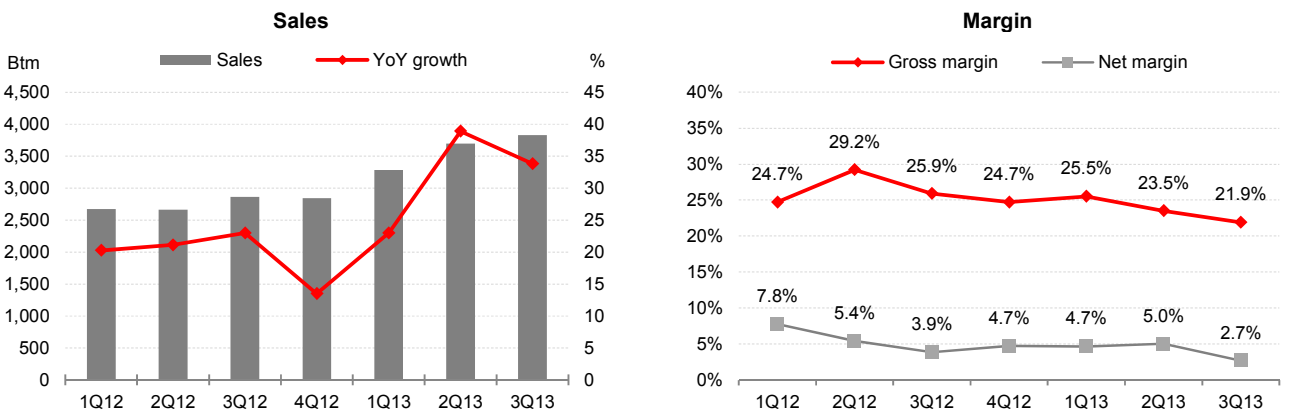


Figure 1 : Industrial Supply Chain



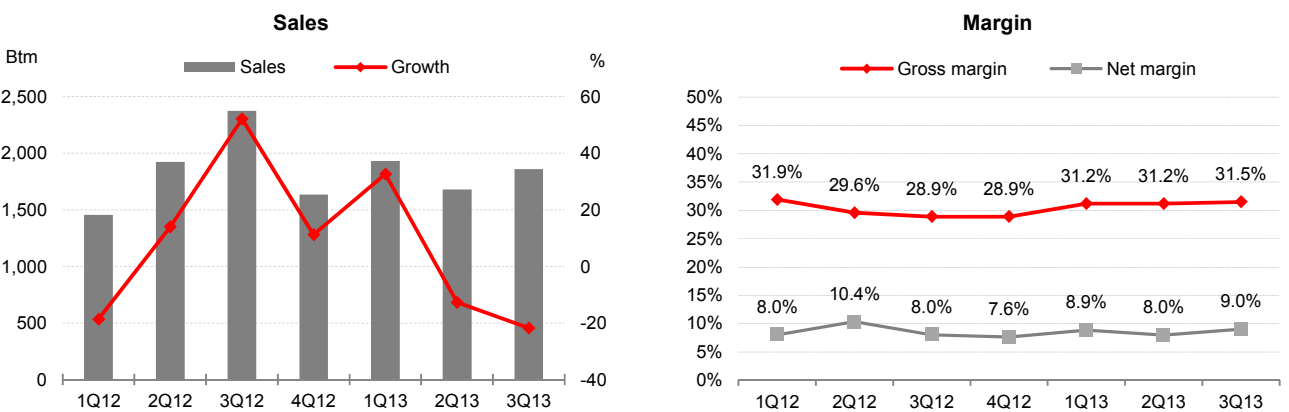
Sources: Company data, Bualuang Research

Figure 2 : Consumer Supply Chain



Sources: Company data, Bualuang Research

Figure 3 : Healthcare and Technical Supply Chain

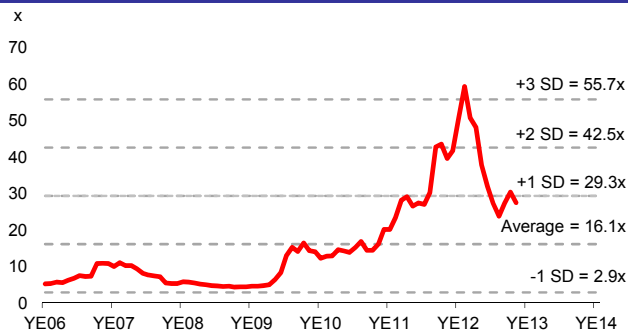


Sources: Company data, Bualuang Research

Regional Comparisons

	Bloomberg	Price	Market Cap	PER (x)	EPS Growth (%)	PBV (x)	ROE (%)	Div Yield (%)					
	Code	(local curr.)	(US\$ equivalent)	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E		
Suning Appliance Co Ltd	002024 CH	CNY117	14,226	83.3	47.9	-64.5	84.8	3.0	2.9	2.1	2.2	0.3	0.2
Wumart Stores Inc	1025 HK	HKD12.1	2,000	19.2	17.2	12.8	13.2	3.1	2.6	17.0	16.9	2.3	2.6
Parkson Retail Group	3368 HK	HKD2.8	996	10.1	9.6	-32.3	7.8	10	10	10.5	10.6	4.4	4.5
Nitori Hldg Co Ltd	9843 JT	JPY9,110.0	5,160	13.3	13.2	4.7	11	2.1	1.8	16.7	14.8	11	12
Lawson Inc	2651 JT	JPY7,510.0	7,456	20.4	18.9	10.6	8.4	3.1	2.9	15.5	15.9	2.9	3.2
Seven & I Holdings Co Ltd	3382 JT	JPY3,770.0	33,081	19.0	17.6	27.0	7.9	16	15	8.8	8.9	18	19
Family Mart	8028 JP	JPY4,625.0	4,472	18.9	17.2	-94.8	9.8	17	16	10.6	9.4	2.3	2.4
President Chain Store Corp	2912 TT	TWD203.5	7,166	25.7	23.4	218	10.2	8.1	7.1	33.3	32.8	2.6	3.1
Capitaland Limited	CAPL SP	SGD3.1	10,388	19.3	15.6	-16.4	16.9	0.8	0.8	5.2	5.6	2.3	2.5
SM Prime Holdings Inc.	SMPH PM	PHP16.6	10,580	24.4	22.4	12.4	8.1	3.4	2.9	15.8	15.4	16	19
Home Depot	HD US	USD79.8	114,352	21.3	18.1	23.3	16.9	8.0	7.9	38.5	52.2	2.0	2.2
Costco whole sale corp	COST US	USD123.9	54,130	24.9	22.4	5.6	12.2	4.5	4.0	18.7	18.8	10	11
Carrefour	CA FP	EUR27.5	26,826	20.2	17.1	-6.7	-3.9	2.3	2.1	11.8	13.0	2.3	2.6
Home Product Center	HMPRO TB	THB10.70	3,224	31.6	24.7	21.6	27.6	8.9	7.3	30.3	32.5	2.5	1.8
Big C Supercenter	BIGC TB	THB10.50	4,938	24.0	20.4	7.7	17.6	4.3	3.7	19.1	19.5	12	15
Beauty Community	BEAUTY TB	THB22.50	212	29.7	20.8	30.8	43.1	6.6	5.6	22.7	29.2	2.0	2.9
Karmarts	KAMART TB	THB5.20	102	18.5	15.6	110	18.6	5.0	4.4	30.8	310	4.6	5.0
Berli Jucker	BJC TB	THB45.50	2,274	29.7	27.1	16	9.7	4.1	3.8	17.1	17.3	19	2.0
C.P. All	CPALL TB	THB41.75	11,785	34.2	28.5	-0.4	19.7	12.5	10.7	38.8	410	2.2	2.4
Central Pattana	CPN TB	THB44.00	6,205	33.1	26.6	-6.3	24.1	5.3	4.6	19.2	18.8	12	15
Siam Global House	GLOBAL TB	THB11.10	1,486	48.3	29.2	60.7	65.7	4.3	3.8	9.7	13.8	0.6	10
Robinson Department Store	ROBINS TB	THB53.25	1,858	29.0	21.7	-12	33.9	4.9	4.2	18.7	22.2	17	2.3
Officemate	OFM TB	THB31.25	314	25.6	20.6	36.1	24.3	2.2	2.1	9.0	10.5	2.0	2.4
Siam Makro	MAKRO TB	THB32.50	4,902	36.3	28.8	21.0	26.0	10.4	7.7	33.3	30.8	2.3	2.9
Simple average				27.5	21.9	3.6	21.0	4.6	4.1	18.9	20.1	2.1	2.3

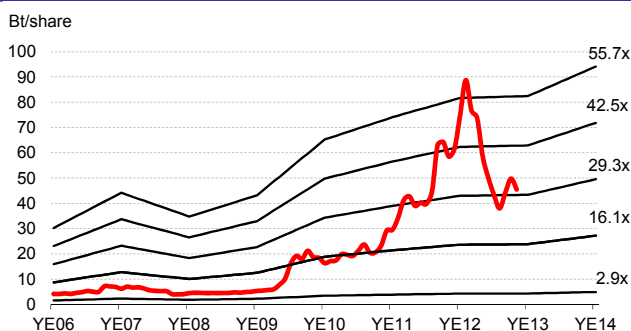
PER band versus SD (next 12 months)



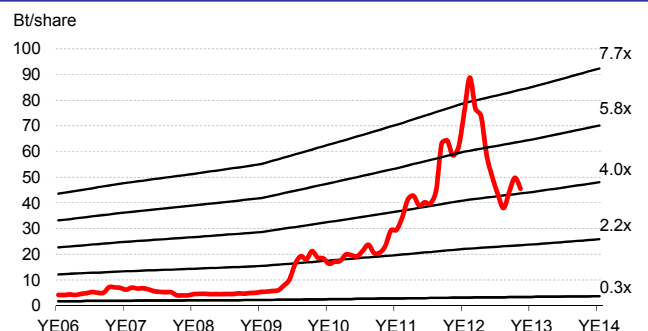
PBV band versus SD (next 12 months)



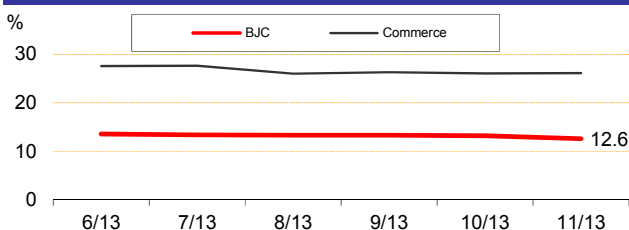
PER band and share price



PBV band and share price



Foreign holding








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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
PCSGH	BJCHI, ICHI, MEGA, NYT, PCSGH, TTCL

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.