

Berli Jucker

BJC TB / BJC.BK

27 February 2014

Weak 4Q13 profit, as expected

Earnings were in line with our estimate

BJC reported a 4Q13 net profit of Bt593m, down 1% YoY but up 11% QoQ. The result was in line with our estimate and the consensus.

Results highlights

The top-line increased 15% YoY to Bt11bn, underpinned by higher sales for all supply chains. However, in terms of profit, only the Industrial supply chain (ISC) posted growth.

ISC sales rose 6% YoY to Bt4.8bn and ISC profit jumped 28% YoY to Bt441m in 4Q13, driven by a fatter margin at the glass packaging business with the achievement of economies-of-scale at the Vietnam plant and better cost control at the Malaysia plant. The earnings of the aluminum can business, however, declined both YoY and QoQ, due to a low utilization rate and a high defect rate during the start-up period for a new production line.

Consumer supply chain (CSC) sales rose 40% YoY to Bt4bn, led by the consolidation of Thai An (a distributor in Vietnam) since March. Food and non-food group sales grew only slightly, due to the weak consumption environment. CSC's profit dived 37% YoY to Bt85m from the high base set by 4Q12, when a Bt78m gain from the bargain purchase of BJC Danone Dairy was booked.

Healthcare & Technical supply chain sales increased 13% YoY to Bt1.85bn, led by higher medicine sales. Its profit, however, dropped 18%, due to higher product costs and SG&A expenses.

Outlook

1Q14 should remain weak, due to ongoing political unrest and the slow consumption environment, particularly in the provinces.

What's changed?

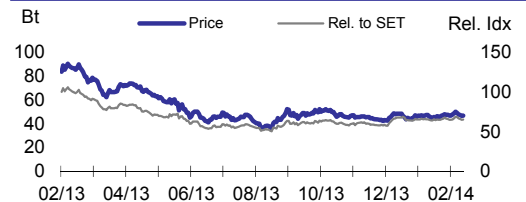
Our forecast and target price stand unchanged.

Recommendation

We think BJC's valuation is expensive. The stock currently trades at an FY14 PER of 29x, which we don't believe is justifiable, given the firm's modest three-year earnings CAGR profile of 7%. Our SELL call stands.

Sector: Consumer/Retail Underweight
Rating: SELL
Target Price: Bt36.00
Price (26 February 2014): Bt46.75

Price chart

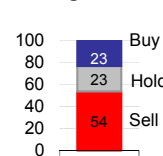


Share price perf. (%)	1M	3M	12M
Relative to SET	0.4	7.7	(28.8)
Absolute	1.6	2.7	(43.5)

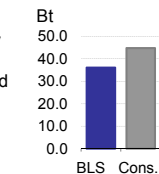
Key statistics

Market cap	Bt74.4bn	USD2.3bn
12-mth price range	Bt34.0/Bt92.0	
12-mth avg daily volume	Bt205m	USD6.3m
# of shares (m)	1,590	
Est. free float (%)	29.9	
Foreign limit (%)	49.0	

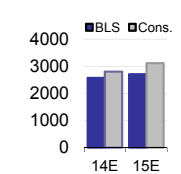
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2013	2014E	2015E	2016E
Revenues (Btm)	42,226	43,814	46,241	49,149
Net profit (Btm)	2,426	2,566	2,705	2,938
EPS (Bt)	1.52	1.61	1.69	1.83
EPS growth (%)	+0.3%	+5.5%	+5.2%	+8.4%
Core profit (Btm)	2,324	2,566	2,705	2,938
Core EPS (Bt)	1.46	1.61	1.69	1.83
Core EPS growth (%)	-0.4%	+10.2%	+5.2%	+8.4%
PER (x)	30.7	29.1	27.6	25.5
PBV (x)	3.1	2.7	2.5	2.3
Dividend (Bt)	0.8	0.9	0.9	1.0
Dividend yield (%)	1.8	1.9	2.0	2.2
ROE (%)	26.8	25.3	23.6	23.0

CG rating



Chaivatorn Sricharoen, CFA

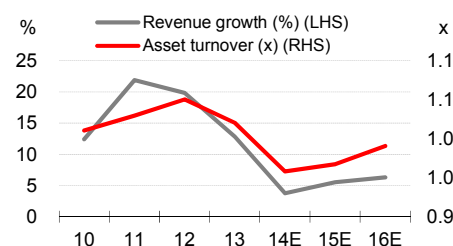
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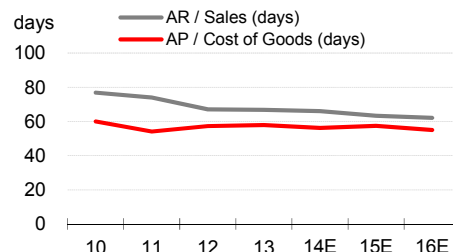
BJC : Financial Tables – Year

PROFIT & LOSS (Btm)	2012	2013	2014E	2015E	2016E
Revenue	37,429	42,226	43,814	46,241	49,149
Cost of sales and services	(28,402)	(32,131)	(33,130)	(34,978)	(37,204)
Gross profit	9,027	10,095	10,683	11,262	11,945
SG&A	(6,116)	(7,017)	(7,267)	(7,655)	(8,100)
EBIT	2,911	3,078	3,416	3,607	3,844
Finance costs	(503)	(575)	(673)	(701)	(707)
Other income/exp.	539	511	583	588	640
EBT	2,947	3,015	3,327	3,494	3,777
Corporate tax	(605)	(567)	(629)	(660)	(714)
After-tax net profit (loss)	2,342	2,448	2,698	2,834	3,063
Minority interest	(80)	(189)	(206)	(211)	(218)
Equity earnings from affiliates	66	65	73	82	92
Extra items	87	102	0	0	0
Net profit (loss)	2,415	2,426	2,566	2,705	2,938
Reported EPS	1.52	1.52	1.61	1.69	1.83
Fully diluted EPS	1.51	1.51	1.60	1.69	1.83
Core net profit	2,328	2,324	2,566	2,705	2,938
Core EPS	1.47	1.46	1.61	1.69	1.83
EBITDA	5,201	5,612	6,260	6,657	7,145
KEY RATIOS					
Revenue growth (%)	19.8	12.8	3.8	5.5	6.3
Gross margin (%)	24.1	23.9	24.4	24.4	24.3
EBITDA margin (%)	13.9	13.3	14.3	14.4	14.5
Operating margin (%)	9.2	8.5	9.1	9.1	9.1
Net margin (%)	6.5	5.7	5.9	5.8	6.0
Core profit margin (%)	6.2	5.5	5.9	5.8	6.0
ROA (%)	6.8	5.9	5.6	5.7	5.9
ROCE (%)	7.3	6.3	6.0	5.9	6.1
Asset turnover (x)	1.1	1.0	1.0	1.0	1.0
Current ratio (x)	1.4	1.3	1.4	1.6	1.6
Gearing ratio (x)	0.6	0.7	0.6	0.6	0.5
Interest coverage (x)	5.8	5.4	5.1	5.1	5.4
BALANCE SHEET (Btm)					
Cash & Equivalent	2,015	1,780	1,850	1,730	1,747
Accounts receivable	6,871	7,721	7,926	8,019	8,364
Inventory	6,864	8,443	8,994	9,416	9,911
PP&E-net	16,583	18,607	20,001	21,212	22,245
Other assets	5,927	7,951	8,191	8,257	8,322
Total assets	38,260	44,503	46,962	48,633	50,589
Accounts payable	4,460	5,094	5,100	5,499	5,606
ST debts & current portion	4,828	6,155	5,895	3,800	3,800
Long-term debt	8,344	10,521	11,500	13,300	13,500
Other liabilities	4,345	5,034	5,066	5,100	5,135
Total liabilities	21,976	26,804	27,561	27,699	28,042
Paid-up capital	1,588	1,590	1,594	1,597	1,600
Share premium	3,751	3,865	3,995	4,125	4,254
Retained earnings	0	0	0	0	0
Shareholders equity	8,619	9,511	10,804	12,098	13,470
Minority interests	13,728	14,760	16,359	17,786	19,291
Total Liab.&Shareholders' equity	44,323	51,075	54,724	57,584	60,802
CASH FLOW (Btm)					
Net income	2,415	2,426	2,566	2,705	2,938
Depreciation and amortization	1,751	2,022	2,260	2,462	2,661
Change in working capital	(997)	(958)	(749)	(115)	(734)
FX, non-cash adjustment & others	490	597	805	830	832
CF from operating activities	3,659	4,088	4,881	5,881	5,697
Capex (Invest)/Divest	(3,819)	(3,800)	(3,719)	(3,729)	(3,740)
Others	(73)	(1,247)	0	0	0
CF from investing activities	(3,892)	(5,047)	(3,719)	(3,729)	(3,740)
Debt financing (repayment)	1,563	2,010	46	(995)	(507)
Equity financing	288	349	133	133	133
Dividend payment	(1,345)	(1,707)	(1,272)	(1,410)	(1,566)
Others	(73)	(1,247)	0	0	0
CF from financing activities	505	651	(1,093)	(2,272)	(1,940)
Net change in cash	272	(307)	70	(120)	17
Free cash flow (Btm)	(160)	288	1,163	2,153	1,957
FCF per share (Bt)	(0.1)	0.2	0.7	1.3	1.2
Key Assumptions	2012	2013	2014E	2015E	2016E
Industrial sales growth	15.3%	5.2%	1.0%	7.0%	7.0%
Consumer sales growth	19.3%	33.9%	7.9%	5.0%	7.0%
Healthcare/Technical sales growth	13.5%	-1.0%	2.5%	5.0%	5.0%

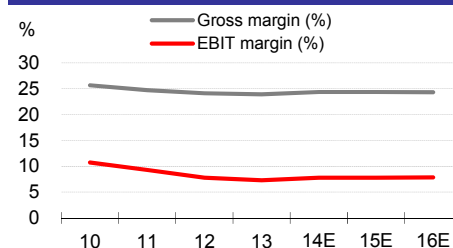
Revenue growth and asset turnover



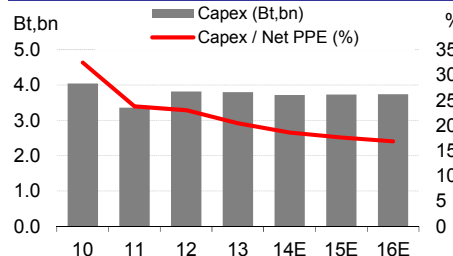
A/C receivable & A/C payable days



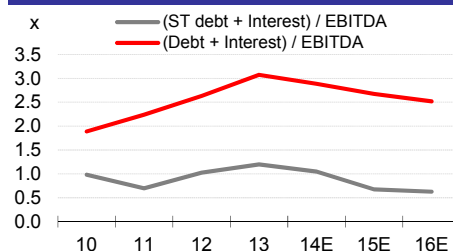
Profit margins



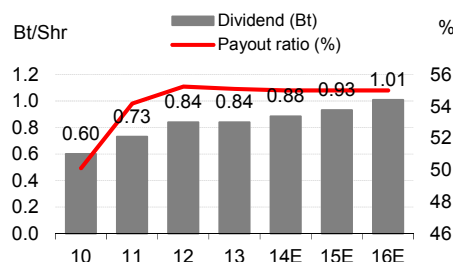
Capital expenditure



Debt serviceability



Dividend payout



BJC : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	4Q12	1Q13	2Q13	3Q13	4Q13
Revenue	9,616	10,359	10,477	10,327	11,064
Cost of sales and services	(7,344)	(7,759)	(7,936)	(7,824)	(8,612)
Gross profit	2,272	2,600	2,540	2,503	2,452
SG&A	(1,661)	(1,708)	(1,709)	(1,761)	(1,838)
EBIT	611	892	831	742	614
Finance costs	(116)	(139)	(133)	(153)	(151)
Other income/exp.	250	85	101	76	250
EBT	744	838	799	665	713
Corporate tax	(103)	(153)	(151)	(122)	(141)
After-tax net profit (loss)	642	685	649	542	572
Minority interest	(87)	(33)	(125)	(33)	2
Equity earnings from affiliates	10	5	23	20	18
Extra items	36	8	86	5	2
Net profit (loss)	601	665	633	535	593
Reported EPS	0.38	0.42	0.40	0.34	0.37
Fully diluted EPS	0.38	0.42	0.40	0.34	0.37
Core net profit	565	657	547	529	592
Core EPS	0.36	0.41	0.34	0.33	0.37
EBITDA	1,282	1,428	1,425	1,342	1,417

KEY RATIOS

Gross margin (%)	23.6	25.1	24.2	24.2	22.2
EBITDA margin (%)	13.3	13.8	13.6	13.0	12.8
Operating margin (%)	6.4	8.6	7.9	7.2	5.5
Net margin (%)	6.3	6.4	6.0	5.2	5.4
Core profit margin (%)	5.9	6.3	5.2	5.1	5.3
BV (Bt)	14.1	14.8	14.6	14.4	15.4
ROE (%)	29.1	29.7	27.6	23.8	25.7
ROA (%)	6.4	6.8	6.1	5.0	5.4
Current ratio (x)	1.4	1.4	1.3	1.2	1.3
Gearing ratio (x)	0.6	0.6	0.7	0.7	0.7
Interest coverage (x)	5.2	6.4	6.2	4.9	4.1

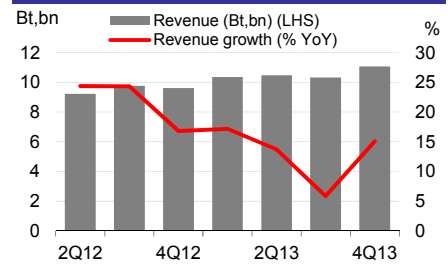
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	2,015	1,548	1,471	1,659	1,780
Accounts receivable	6,871	7,013	7,137	6,837	7,721
Inventory	6,864	7,084	7,391	8,251	8,443
PP&E-net	16,583	17,221	17,940	18,238	18,607
Other assets	5,927	7,657	8,140	8,010	7,951
Total assets	38,260	40,522	42,079	42,996	44,503
Accounts payable	4,460	4,476	4,616	4,718	5,094
ST debts & current portion	4,828	4,856	6,303	6,917	6,155
Long-term debt	8,344	9,009	8,835	9,233	10,521
Other liabilities	4,345	4,658	4,698	4,532	5,034
Total liabilities	21,976	22,999	24,452	25,400	26,804
Paid-up capital	1,588	1,588	1,590	1,590	1,590
Share premium	3,751	3,751	3,854	3,863	3,865
Retained earnings	0	0	0	0	0
Shareholders equity	8,619	9,284	9,083	8,918	9,511
Minority interests	13,728	14,215	14,124	14,028	14,933
Total Liab.&Shareholders' equity	44,323	46,498	47,659	48,346	51,247
Key Assumptions	4Q12	1Q13	2Q13	3Q13	4Q13
Industrial sales growth	16.3%	8.9%	9.8%	-3.5%	5.9%
Consumer sales growth	13.5%	23.0%	38.9%	33.8%	39.6%
Healthcare/Technical sales growth	11.2%	32.6%	-12.7%	-21.8%	12.9%

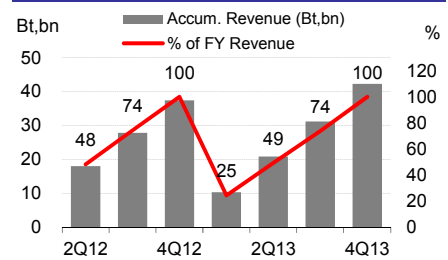
Company profile

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.

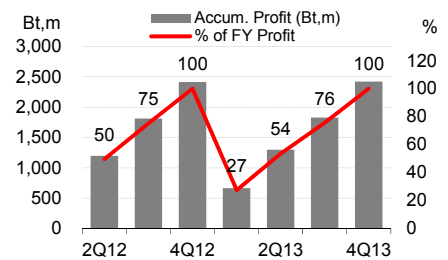
Revenue trend



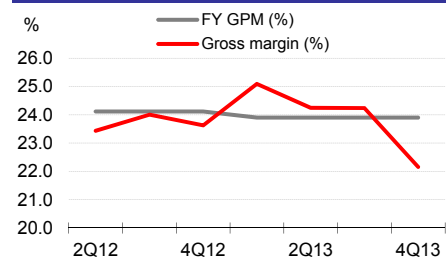
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

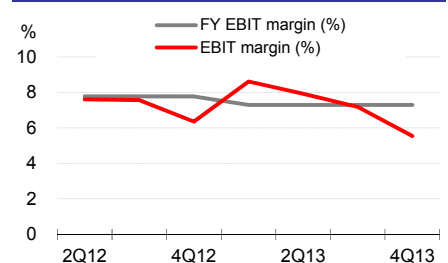


Figure 1 : 4Q13 & FY13 results

FY Ended 31 Dec (Btm)	4Q13	4Q12	YoY %	3Q13	QoQ %	2013	2012	YoY %
Income Statement								
Revenue	11,064	9,616	15	10,327	7	42,226	37,429	13
Cost of sales and services	(8,612)	(7,344)	17	(7,824)	10	(32,131)	(28,402)	13
EBITDA	1,417	1,282	10	1,342	6	5,612	5,201	8
SG&A	(1,838)	(1,661)	11	(1,761)	4	(7,017)	(6,116)	15
EBIT	614	611	0	742	(17)	3,078	2,911	6
Finance costs	(151)	(116)	29	(153)	(1)	(575)	(503)	14
Other income/exp.	250	250	(0)	76	230	511	539	(5)
Equity earnings from affiliates	18	10	79	20	(10)	65	66	(2)
Extra items	2	36	(96)	5	nm	102	87	17
EBT	713	744	(4)	665	7	3,015	2,947	2
Corporate tax	(141)	(103)	37	(122)	15	(567)	(605)	(6)
Minority interest	2	(87)	nm	(33)	nm	(189)	(80)	
Net profit (loss)	593	601	(1)	535	11	2,426	2,415	0
Reported EPS	0.37	0.38	(2)	0.34	11	1.53	1.52	0
Core net profit	592	565	5	529	12	2,324	2,328	(0)
Key ratios								
Gross margin (%)	22.2	23.6		24.2		23.9	24.1	
EBITDA margin (%)	12.8	13.3		13.0		13.3	13.9	
EBIT margin (%)	5.5	6.4		7.2		7.3	7.8	
SG&A / Revenue (%)	16.6	17.3		17.1		16.6	16.3	
Tax rate (%)	19.8	13.8		18.4		18.8	20.5	
Net margin (%)	5.4	6.3		5.2		5.7	6.5	
Current ratio (x)	1.3	1.4		1.2		1.3	1.4	
Gearing ratio (x)	0.7	0.6		0.7		0.7	0.6	
Interest coverage (x)	4.1	5.2		4.9		5.4	5.8	
Balance Sheet								
Cash & Equivalent	1,780	2,015	(12)	1,659	7			
Total assets	44,503	38,260	16	42,996	4			
ST debts & current portion	6,155	4,828	27	6,917	(11)			
Long-term debt	10,521	8,344	26	9,233	14			
Total liabilities	26,804	21,976	22	25,400	6			
Retained earnings	0	0	nm	0	nm			
Shareholders equity	9,511	8,619	10	8,918	7			
Minority interests	14,933	13,728	9	14,028	6			
BV (Bt)	15.4	14.1	9	14.4	7			

- The Industrial supply chain's sales rose 6% YoY and its profit jumped 28% YoY
- The Consumer supply chain's sales rose 40% YoY, but its profit declined 37% YoY
- The Healthcare & Technical chain's sales rose 13% YoY but its earnings fell 18% 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 (%)	
				2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E
Suning Appliance Co Ltd	002024 CH	CNY9.5	11,453	77.9	77.2	75.3	-5.5	2.4	2.3	2.2	3.7	0.6	10
Wumart Stores Inc	1025 HK	HKD9.2	156	13.5	116	19.0	5.4	2.1	19	17.4	17.5	3.3	3.8
Parkson Retail Group	3368 HK	HKD2.1	767	112	10.9	3.4	0.7	0.8	0.7	7.0	7.0	4.7	4.3
Nitori Hldg Co Ltd	9843 JT	JPY4,815.0	5,383	13.7	13.0	2.5	5.3	19	18	15.0	14.3	12	13
Lawson Inc	2651JT	JPY7,150.0	7,005	18.3	17.1	7.3	7.3	2.8	2.6	15.7	15.7	3.3	3.6
Seven & I Holdings Co Ltd	3382 JT	JPY3,922.0	33,961	18.1	16.5	8.9	9.9	16	15	9.0	9.3	19	2.0
Family Mart	8028 JP	JPY4,550.0	4,342	17.2	16.0	8.0	8.2	16	15	9.5	9.7	2.4	2.6
President Chain Store Corp	2912 TT	TWD186.5	6,397	21.3	19.4	10.5	10.7	6.6	5.8	32.6	31.9	3.3	3.7
Capitaland Limited	CAPL SP	SGD2.8	9,499	14.7	12.6	11.3	14	0.7	0.7	5.4	5.5	2.9	3.1
SM Prime Holdings Inc.	SMPH PM	PHP14.4	8,973	16.8	n.a.	15.4	n.a.	2.4	n.a.	13.4	n.a.	2.5	n.a.
Home Depot	HD US	USD81.7	115,052	15.9	14.1	9.6	7.0	9.2	14.3	79.2	101.9	2.7	2.9
Costco whole sale corp	COST US	USD115.9	50,955	21.4	19.2	12.4	10.3	3.9	3.6	18.9	19.8	12	13
Carrefour	CA FP	EUR26.7	26,473	16.9	14.7	-6.0	15.4	2.1	19	12.8	13.6	2.6	2.9
Home Product Center	HMPRO TB	THB9.00	2,649	25.7	22.6	9.8	13.5	6.1	5.5	25.1	25.7	2.8	2.1
Big C Supercenter	BIGC TB	THB178.00	4,508	19.3	17.5	8.9	10.3	3.5	3.0	19.1	18.4	16	17
BeautyCommunity	BEAUTY TB	THB19.60	180	22.4	18.9	24.3	18.4	5.2	4.5	24.5	25.6	2.7	3.2
Karmarts	KAMART TB	THB4.88	95	15.9	14.2	17.9	12.3	4.3	4.1	29.4	29.6	5.3	6.4
Berli Jucker	BJC TB	THB46.75	2,282	29.2	27.7	5.8	5.4	2.7	2.5	25.3	23.6	19	2.0
C.P. All	CPALL TB	THB38.00	10,478	25.9	20.4	25.2	26.6	9.0	7.4	42.1	44.2	2.6	3.4
Central Pattana	CPN TB	THB40.00	5,510	26.1	21.1	17.9	23.7	4.3	3.7	17.6	19.2	15	19
Siam Global House	GLOBAL TB	THB15.20	129	33.8	26.4	27.7	28.3	3.3	3.0	10.3	12.0	0.9	1.1
Robinson Department Store	ROBINS TB	THB47.00	1,602	23.0	19.0	14.1	20.9	3.9	3.4	18.9	20.4	2.2	2.6
Officemate	OFM TB	THB33.75	332	23.1	20.8	14.5	10.9	2.3	2.1	10.0	10.5	2.2	2.4
Siam Makro	MAKRO TB	THB30.75	4,531	28.3	23.6	21.5	19.8	11.5	10.4	43.7	46.2	3.1	3.7
Simple average				22.9	20.6	15.2	11.6	3.9	3.8	21.0	22.8	2.5	2.7

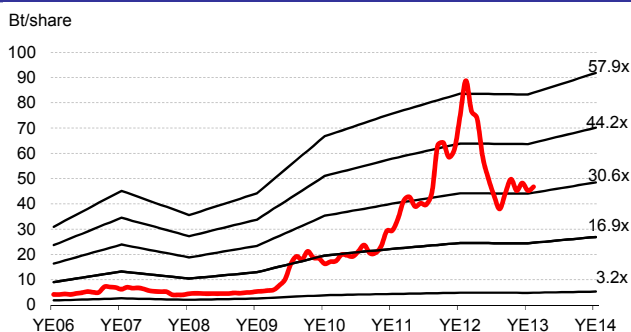
PER band versus SD (next 12 months)



PBV band versus SD (next 12 months)



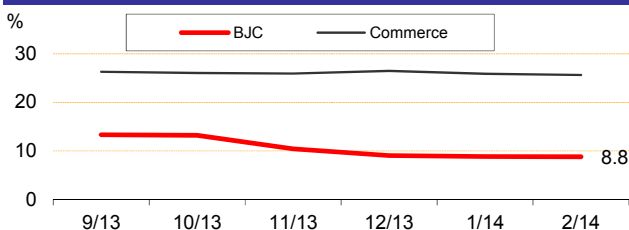
PER band and share price



PBV band and share price



Foreign holding








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PCSGH	PCSGH

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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STOCK RECOMMENDATIONS

- 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.