

Berli Jucker

BJC TB / BJC.BK

16 May 2014

Weak 1Q14 profit, as expected

In line with model

BJC reported 1Q14 earnings of Bt516m, down by 22%YoY and 13% QoQ. All its business units posted weaker performances. The result was in line with our expectation but was 8% below the consensus.

Results highlights

Revenue increased 3% YoY to Bt10.7bn, driven by income statement consolidation with the Vietnamese distributor, Thai Ann, which BJC acquired in late 1Q13. But the like-for-like sales of most business units declined.

Industrial Supply Chain (ISC) sales were Bt4.5bn, flat YoY—the effect of lower domestic demand for glass packaging was offset by greater aluminum can volume. ISC profit dived 20% YoY to Bt311m, due to high fixed costs in the face of lower sales of glass packaging products.

Consumer Supply Chain (CSC) sales rose 15% YoY to Bt4.1bn, led by the consolidation of Thai An. Food and non-food group sales declined by 1% YoY and 8% YoY, respectively, due to the weak consumption environment and greater competition in the Tissue business. CSC's profit fell 17% YoY to Bt129m, squeezed by higher raw material costs.

Healthcare & Technical supply chain sales slipped 6% YoY to Bt1.8bn, due mainly to lower orders of medical equipment among public hospitals, while the chain's profit plunged 29% YoY to Bt121m as a result of higher product costs and SG&A expenses.

Outlook

We expect 2Q14 earnings to inch up QoQ but fall YoY, due to weaker demand for glass packaging, consumer products and medical equipment.

What's changed?

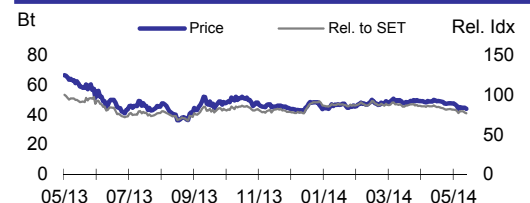
Our forecast and target price stand unchanged.

Recommendation

We think BJC's valuation is expensive. The stock currently trades at an FY14 PER of 31.7x, while we expect its earnings to fall 9% this year. Our SELL call stands.

Sector: Consumer/Retail Underweight
Rating: SELL
Target Price: Bt34.00
Price (15 May 2014): Bt44.00

Price chart

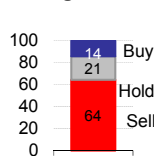


Share price perf. (%)	1M	3M	12M
Relative to SET	(11.0)	(12.6)	(21.8)
Absolute	(12.0)	(7.9)	(35.5)

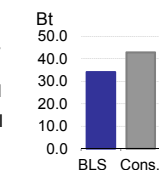
Key statistics

Market cap	Bt70.0bn	USD2.2bn
12-mth price range	Bt34.0/Bt69.0	
12-mth avg daily volume	Bt145m	USD4.5m
# of shares (m)	1,590	
Est. free float (%)	29.9	
Foreign limit (%)	49.0	

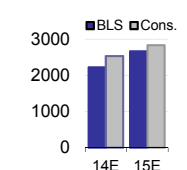
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2013	2014E	2015E	2016E
Revenues (Btm)	42,226	43,971	47,197	51,548
Net profit (Btm)	2,426	2,215	2,660	3,072
EPS (Bt)	1.52	1.39	1.66	1.92
EPS growth (%)	+0.3%	-8.9%	+19.8%	+15.3%
Core profit (Btm)	2,324	2,215	2,660	3,072
Core EPS (Bt)	1.46	1.39	1.66	1.92
Core EPS growth (%)	-0.4%	-4.9%	+19.8%	+15.3%
PER (x)	28.9	31.7	26.4	22.9
PBV (x)	2.9	2.7	2.4	2.2
Dividend (Bt)	0.8	0.8	0.9	1.1
Dividend yield (%)	1.9	1.7	2.1	2.4
ROE (%)	26.8	22.2	23.8	24.3

CG rating

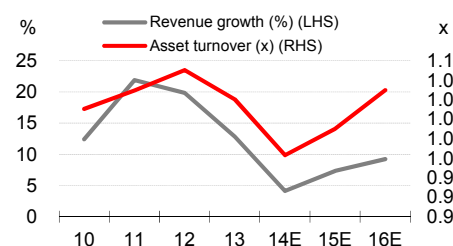


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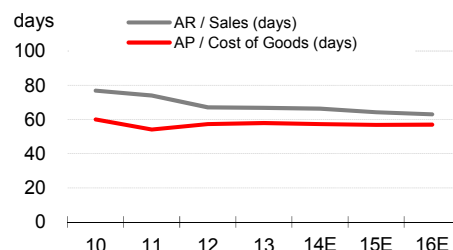
BJC : Financial Tables – Year

PROFIT & LOSS (Btm)	2012	2013	2014E	2015E	2016E
Revenue	37,429	42,226	43,971	47,197	51,548
Cost of sales and services	(28,402)	(32,131)	(33,743)	(35,866)	(39,198)
Gross profit	9,027	10,095	10,228	11,331	12,350
SG&A	(6,116)	(7,017)	(7,324)	(7,798)	(8,399)
EBIT	2,911	3,078	2,904	3,533	3,951
Finance costs	(503)	(575)	(640)	(667)	(681)
Other income/exp.	539	511	684	636	748
EBT	2,947	3,015	2,948	3,502	4,018
Corporate tax	(605)	(567)	(590)	(700)	(804)
After-tax net profit (loss)	2,342	2,448	2,359	2,802	3,214
Minority interest	(80)	(189)	(216)	(224)	(234)
Equity earnings from affiliates	66	65	73	82	92
Extra items	87	102	0	0	0
Net profit (loss)	2,415	2,426	2,215	2,660	3,072
Reported EPS	1.52	1.52	1.39	1.66	1.92
Fully diluted EPS	1.51	1.51	1.38	1.66	1.92
Core net profit	2,328	2,324	2,215	2,660	3,072
Core EPS	1.47	1.46	1.39	1.66	1.92
EBITDA	5,201	5,612	5,848	6,631	7,360
KEY RATIOS					
Revenue growth (%)	19.8	12.8	4.1	7.3	9.2
Gross margin (%)	24.1	23.9	23.3	24.0	24.0
EBITDA margin (%)	13.9	13.3	13.3	14.0	14.3
Operating margin (%)	9.2	8.5	8.2	8.8	9.1
Net margin (%)	6.5	5.7	5.0	5.6	6.0
Core profit margin (%)	6.2	5.5	5.0	5.6	6.0
ROA (%)	6.8	5.9	4.9	5.6	6.1
ROCE (%)	7.3	6.3	5.2	5.9	6.3
Asset turnover (x)	1.1	1.0	1.0	1.0	1.0
Current ratio (x)	1.4	1.3	1.4	1.6	1.7
Gearing ratio (x)	0.6	0.7	0.7	0.6	0.5
Interest coverage (x)	5.8	5.4	4.5	5.3	5.8
BALANCE SHEET (Btm)					
Cash & Equivalent	2,015	1,780	1,320	1,213	1,341
Accounts receivable	6,871	7,721	7,983	8,292	8,890
Inventory	6,864	8,443	9,316	9,560	10,802
PP&E-net	16,583	18,607	20,001	21,212	22,245
Other assets	5,927	7,951	8,186	8,245	8,303
Total assets	38,260	44,503	46,806	48,523	51,580
Accounts payable	4,460	5,094	5,289	5,580	6,121
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	14,000
Other liabilities	4,345	5,034	5,066	5,100	5,135
Total liabilities	21,976	26,804	27,750	27,780	29,057
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	10,454	11,896	13,427
Minority interests	13,728	14,760	16,009	17,584	19,248
Total Liab.&Shareholders' equity	44,323	51,075	54,213	57,260	61,731
CASH FLOW (Btm)					
Net income	2,415	2,426	2,215	2,660	3,072
Depreciation and amortization	1,751	2,022	2,260	2,462	2,661
Change in working capital	(997)	(958)	(940)	(263)	(1,299)
FX, non-cash adjustment & others	490	597	783	808	823
CF from operating activities	3,659	4,088	4,319	5,668	5,258
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	79	(961)	19
Equity financing	288	349	133	133	133
Dividend payment	(1,345)	(1,707)	(1,272)	(1,218)	(1,542)
Others	(73)	(1,247)	0	0	0
CF from financing activities	505	651	(1,060)	(2,046)	(1,390)
Net change in cash	272	(307)	(460)	(107)	128
Free cash flow (Btm)	(160)	288	600	1,939	1,518
FCF per share (Bt)	(0.1)	0.2	0.4	1.2	0.9
Key Assumptions	2012	2013	2014E	2015E	2016E
Industrial sales growth	15.3%	5.2%	3.7%	7.0%	7.0%
Consumer sales growth	19.3%	33.9%	5.7%	10.0%	15.0%
Healthcare/Technical sales growth	13.5%	-1.0%	2.4%	5.0%	5.0%

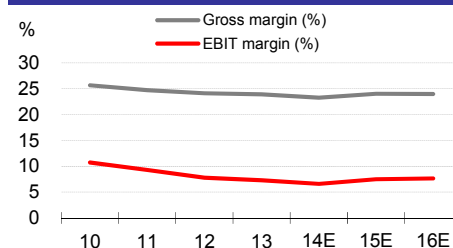
Revenue growth and asset turnover



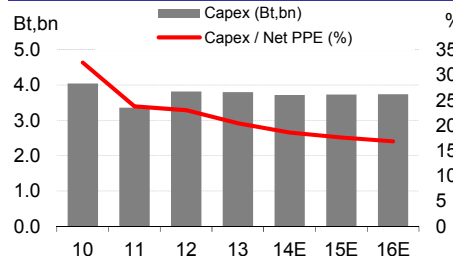
A/C receivable & A/C payable days



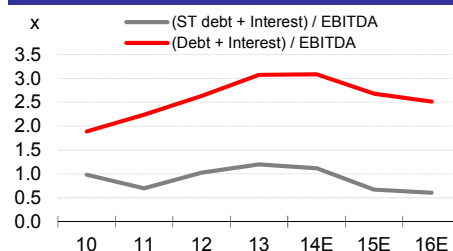
Profit margins



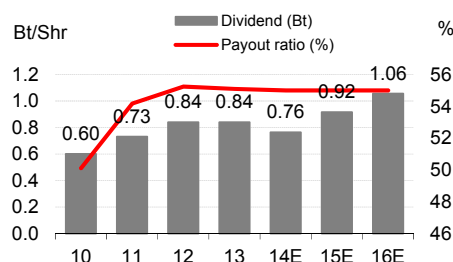
Capital expenditure



Debt serviceability



Dividend payout



BJC : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	1Q13	2Q13	3Q13	4Q13	1Q14
Revenue	10,359	10,477	10,327	11,064	10,696
Cost of sales and services	(7,759)	(7,936)	(7,824)	(8,612)	(8,201)
Gross profit	2,600	2,540	2,503	2,452	2,496
SG&A	(1,708)	(1,709)	(1,761)	(1,838)	(1,842)
EBIT	892	831	742	614	654
Finance costs	(139)	(133)	(153)	(151)	(151)
Other income/exp.	85	101	76	250	231
EBT	838	799	665	713	734
Corporate tax	(153)	(151)	(122)	(141)	(144)
After-tax net profit (loss)	685	649	542	572	590
Minority interest	(33)	(125)	(33)	2	(57)
Equity earnings from affiliates	5	23	20	18	20
Extra items	8	86	5	2	(36)
Net profit (loss)	665	633	535	593	516
Reported EPS	0.42	0.40	0.34	0.37	0.32
Fully diluted EPS	0.42	0.40	0.34	0.37	0.32
Core net profit	657	547	529	592	553
Core EPS	0.41	0.34	0.33	0.37	0.35
EBITDA	1,428	1,425	1,342	1,417	1,436

KEY RATIOS

Gross margin (%)	25.1	24.2	24.2	22.2	23.3
EBITDA margin (%)	13.8	13.6	13.0	12.8	13.4
Operating margin (%)	8.6	7.9	7.2	5.5	6.1
Net margin (%)	6.4	6.0	5.2	5.4	4.8
Core profit margin (%)	6.3	5.2	5.1	5.3	5.2
BV (Bt)	14.8	14.6	14.4	15.3	15.8
ROE (%)	29.7	27.6	23.8	25.7	21.2
ROA (%)	6.8	6.1	5.0	5.4	4.6
Current ratio (x)	1.4	1.3	1.2	1.3	1.3
Gearing ratio (x)	0.6	0.7	0.7	0.7	0.7
Interest coverage (x)	6.4	6.2	4.9	4.1	4.3

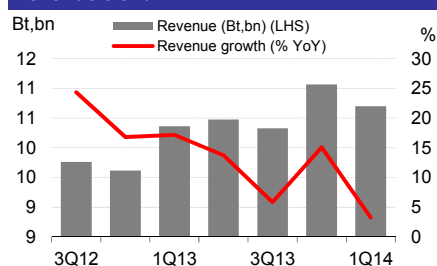
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,548	1,471	1,659	1,780	1,539
Accounts receivable	7,013	7,137	6,837	7,721	7,513
Inventory	7,084	7,391	8,251	8,443	8,187
PP&E-net	17,221	17,940	18,238	18,607	19,002
Other assets	7,657	8,140	8,010	7,951	8,118
Total assets	40,522	42,079	42,996	44,503	44,359
Accounts payable	4,476	4,616	4,718	5,094	4,248
ST debts & current portion	4,856	6,303	6,917	6,155	5,963
Long-term debt	9,009	8,835	9,233	10,521	10,786
Other liabilities	4,658	4,698	4,532	5,034	5,222
Total liabilities	22,999	24,452	25,400	26,804	26,220
Paid-up capital	1,588	1,590	1,590	1,590	1,590
Share premium	3,751	3,854	3,863	3,865	3,866
Retained earnings	0	0	0	0	0
Shareholders equity	9,284	9,083	8,918	9,511	9,997
Minority interests	14,215	14,124	14,028	14,760	15,204
Total Liab.&Shareholders' equity	46,498	47,659	48,346	51,075	51,420
Key Assumptions	1Q13	2Q13	3Q13	4Q13	1Q14
Industrial sales growth	8.9%	9.8%	-3.5%	5.9%	0.0%
Consumer sales growth	23.0%	38.9%	33.8%	39.6%	-9.0%
Healthcare/Technical sales growth	25.5%	23.5%	21.9%	24.6%	24.3%

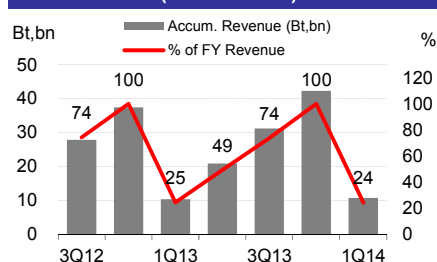
Company profile

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.

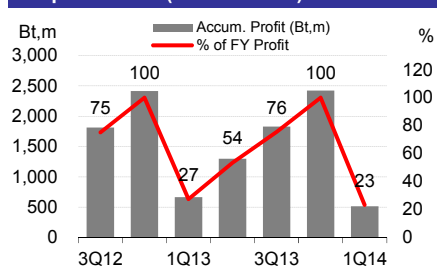
Revenue trend



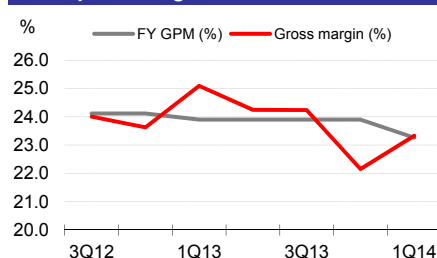
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

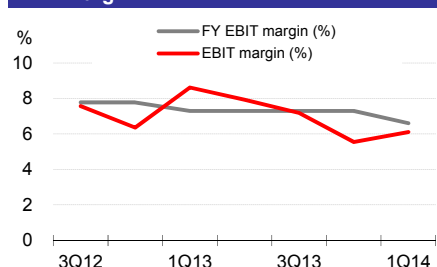


Figure 1 : 1Q14 results

FY Ended 31 Dec (Btm)	1Q14	1Q13	YoY %	4Q13	QoQ %	3M14 vs. FY14E
Income Statement						
Revenue	10,696	10,359	3	11,064	(3)	24
Cost of sales and services	(8,201)	(7,759)	6	(8,612)	(5)	24
EBITDA	1,436	1,428	1	1,417	1	25
SG&A	(1,842)	(1,708)	8	(1,838)	0	25
EBIT	654	892	(27)	614	7	23
Finance costs	(151)	(139)	9	(151)	0	24
Other income/exp.	231	85	172	250	(7)	34
Equity earnings from affiliates	20	5	339	18	11	27
Extra items	(36)	8	(533)	2	nm	n.m.
EBT	734	838	(12)	713	3	25
Corporate tax	(144)	(153)	(6)	(141)	2	24
Minority interest	(57)	(33)	nm	2	nm	26
Net profit (loss)	516	665	(22)	593	(13)	23
Reported EPS	0.32	0.42	(23)	0.37	(13)	23
Core net profit	553	657	(16)	592	(7)	25
Key ratios						
Gross margin (%)	23.3	25.1		22.2		
EBITDA margin (%)	13.4	13.8		12.8		
EBIT margin (%)	6.1	8.6		5.5		
SG&A / Revenue (%)	17.2	16.5		16.6		
Tax rate (%)	19.6	18.2		19.8		
Net margin (%)	4.8	6.4		5.4		
Current ratio (x)	1.3	1.4		1.3		
Gearing ratio (x)	0.7	0.6		0.7		
Interest coverage (x)	4.3	6.4		4.1		
Balance Sheet						
Cash & Equivalent	1,539	1,548	(1)	1,780	(14)	
Total assets	44,359	40,522	9	44,503	(0)	
ST debts & current portion	5,963	4,856	23	6,155	(3)	
Long-term debt	10,786	9,009	20	10,521	3	
Total liabilities	26,220	22,999	14	26,804	(2)	
Retained earnings	0	0	nm	0	nm	
Shareholders equity	9,997	9,284	8	9,511	5	
Minority interests	15,204	14,215	7	14,760	3	
BV (Bt)	15.8	14.8	7	15.3	4	

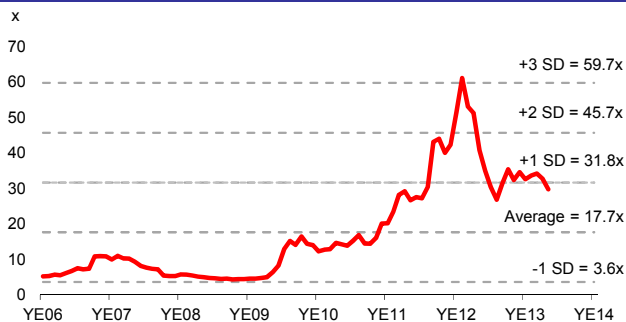
- The Industrial supply chain's sales were flat but its profit dropped 20% YoY
- The Consumer supply chain's sales rose 15% YoY, but its profit declined 17% YoY
- The Healthcare & Technical chain's sales declined 6% YoY its profit dived 29% YoY

Sources: Company data, Bualuang Research

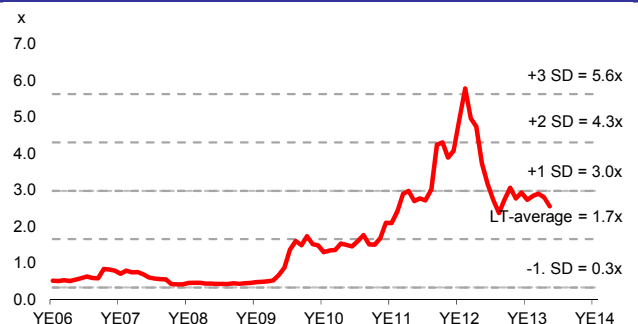
Regional Comparisons

	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	CNY6.2	7,382	n.a.	n.a.	-134.0	-52.9	16	16	-2.5	-2.1	0.7	0.9
Wumart Stores Inc	1025 HK	HKD6.7	1,102	2.3	110	34.7	-0.4	16	15	5.1	14.4	4.1	4.5
Parkson Retail Group	3368 HK	HKD2.2	796	13.1	12.9	8.7	15	0.8	0.8	6.8	6.7	3.5	4.3
Nitori Hldg Co Ltd	9843 JT	JPY4,825.0	5,438	13.7	12.9	0.2	6.8	17	15	14.2	14.7	11	12
Lawson Inc	2651 JT	JPY7,150.0	7,063	13.2	13.8	2.9	8.7	2.6	2.4	15.9	15.4	3.4	3.6
Seven & I Holdings Co Ltd	3382 JT	JPY3,950.0	34,483	13.5	13.7	7.5	10.4	15	14	9.1	8.7	18	2.0
Family Mart	8028 JP	JPY4,235.0	4,074	15.0	15.8	19.7	-6.0	14	13	9.2	10.1	2.5	2.6
President Chain Store Corp	2912 TT	TWD225.5	7,760	24.7	23.2	19.6	5.8	7.7	7.2	34.3	35.0	2.9	3.4
Capitaland Limited	CAPL SP	SGD3.1	10,644	19.0	17.5	13.5	5.5	0.8	0.7	5.0	4.7	2.5	2.6
SM Prime Holdings Inc.	SMPH PM	PHP17.0	10,819	23.7	20.6	20.5	14.7	2.5	2.2	11.9	11.3	18	2.1
Home Depot	HD US	USD76.2	104,304	17.3	14.9	16.5	15.8	9.9	10.8	77.8	54.5	2.5	2.9
Costco whole sale corp	COST US	USD114.4	50,300	24.6	22.0	-0.9	12.4	3.7	3.2	17.7	17.5	11	12
Carrefour	CA FP	EUR26.2	26,030	16.7	14.5	-13.1	15.9	19	17	13.8	12.8	2.7	3.1
Home Product Center	HMPRO TB	THB8.35	2,814	26.9	23.9	11.3	12.2	6.0	5.2	24.4	23.2	16	2.0
Big C Supercenter	BIGC TB	THB180.00	4,566	20.9	18.2	19	14.7	3.5	3.1	18.0	18.1	14	16
Beauty Community	BEAUTY TB	THB130	178	23.3	18.7	17.8	24.2	5.5	5.1	24.2	28.1	3.9	4.8
Kamarts	KAMART TB	THB4.96	97	16.8	14.5	20.9	16.2	4.4	4.3	28.7	30.4	5.2	6.3
Berli Jucker	BJC TB	THB44.00	2,152	318	26.5	-8.7	20.1	2.7	2.4	22.2	23.8	17	2.1
C.P. All	CPALL TB	THB42.75	11,808	30.4	22.0	20.1	38.0	10.2	8.2	40.7	45.9	2.1	2.3
Central Pattana	CPN TB	THB44.50	6,141	28.0	23.9	13.4	17.1	4.8	4.2	18.5	19.2	14	17
Siam Global House	GLOBAL TB	THB12.50	1,172	412	312	4.5	31.9	2.5	2.3	7.2	7.7	0.7	10
Robinson Department Store	ROBINS TB	THB50.25	1,716	26.4	22.1	6.6	19.5	4.2	3.7	17.8	19.2	19	2.3
Officemate	OFM TB	THB48.50	477	28.0	23.0	35.5	22.0	3.2	2.9	11.7	13.1	14	17
Siam Makro	MAKRO TB	THB32.75	4,834	30.9	25.5	13.5	21.1	12.3	11.2	42.8	46.1	2.9	3.4
Simple average				22.7	19.5	5.9	11.5	4.0	3.7	20.2	19.9	2.3	2.6

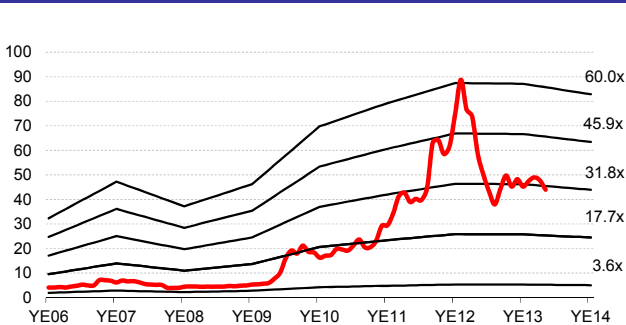
PER band versus SD (next 12 months)



PBV band versus SD (next 12 months)



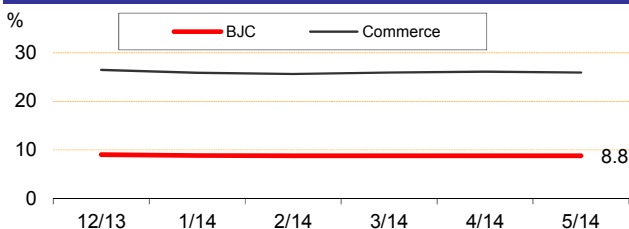
PER band and share price



PBV band and share price



Foreign holding



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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
OTO	OTO

Score Range

90 – 100
80 – 89
70 – 79
60 – 69
50 – 59
Below 50

Score Range


No logo given

Description

Excellent
Very Good
Good
Satisfactory
Pass
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.