

Take Profit (unchanged)

Berli Jucker (BJC)

Strengthening growth in Vietnam

CGR Scoring Rating 

Share price: Bt56.00
Target price: Bt47.00 (unchanged)

Suttatip Peerasub

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Stock Information

Description : 1. Marketing and distribution of 4 main products : packaging products, consumer products, healthcare products and technical products as well as educational materials and books ,both domestically and internationally. 2. Provide service in storage and logistics together with industrial services ,consumer services, technical services and healthcare services. 3. Manufacturing of packaging products and consumer products and distribute through Berli Jucker Public Company Limited.

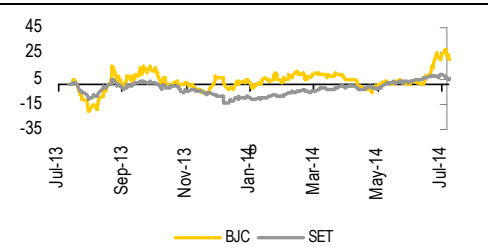
Ticker :	BJC
Shares Issued (m):	1,590
Market Cap (THB m)	89,158
Market Cap (US\$ m)	2,780
3-mth Avg Daily Turnover (THB m)	124.36
SET INDEX	1,520.31
Free float (%)	26.23

Major Shareholders :	%
TCC Holdings	73.77
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4.93

Key Indicators

ROE – annualised (%)	13.2
Net cash (THB m):	-15,456
NTA/shr (THB):	10.02
Interest cover (x):	6.1

Historical Chart



Performance

52-week High/Low	Bt 368.00/Bt 300.00				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	23.1	24.4	16.7	22.4	16.1
Relative (%)	22.0	12.7	-1.0	16.5	-0.9

After the analyst meeting, we maintain our positive view on the acquisition of Metro Vietnam which should add value to BJC in the long term. There are much more rooms to grow for Modern trade business in Vietnam. This deal will make BJC retail business in Vietnam becoming more integrated. However, we expect BJC will need cash call and raise additional loan. The EPS would be pressured by increasing interest expenses and dilution effect. We believe the acquisition story has been priced in. We recommend Take Profit.

Expect source of fund from capital increase and loan. Based on BJC's comfortable gearing level of 1.25x, BJC will be able to borrow additional Bt7.4bn, from current gearing of 0.84x. We expect BJC to raise the capital of Bt21bn to acquire Metro at Bt28.37bn. However, the fund source will be determined later at the board meeting on 19 August.

To increase sales by 51%. If the acquisition deal is approved at the shareholder meeting in late October, BJC will be able to consolidate Metro business from mid 2015 onward. Metro brand will be maintained for 2 years after the transaction before changing to BJC brand. By consolidation with Metro, BJC sales will increase by 51% to Bt64bn with international sales rising from 19% in 2013 to 46% (42% from Vietnam).

Improving operational efficiency. Metro sales were Bt21.4bn with net loss of Bt394mn, depressed by the high operating expenses and the aggressive branch expansion in the past 2-3 years. However, we expect the performance to recover after BJC has taken control. BJC plan to slow the branch expansion, focusing mainly to improve the efficiency of the existing branches. We expect a synergy benefit to BJC retail business such as higher negotiation power with supplier and improving distribution system.

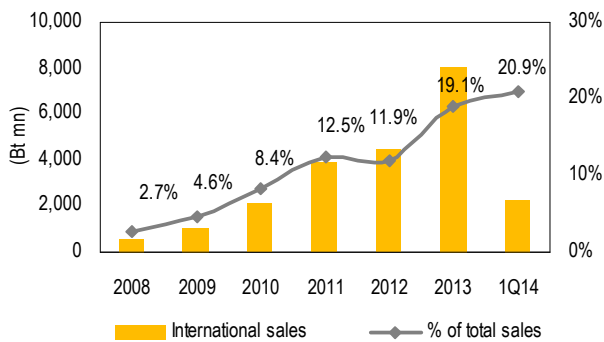
BJC– Summary Earnings Table

FYE: Dec 31 (THB m)	2011	2012	2013	2014F	2015F
Revenue	31,235	37,429	42,226	46,069	50,739
EBITDA	5,000	5,093	5,477	5,973	6,617
Recurring Net Profit	2,110	2,328	2,324	2,428	2,782
Net profit	2,140	2,415	2,426	2,428	2,782
EPS (Bt)	1.35	1.52	1.53	1.52	1.74
EPS growth (%)	12.5	12.8	0.3	(0.2)	14.2
DPS (Bt)	0.73	0.84	0.84	0.95	1.10
PER	41.6	36.8	36.7	36.8	32.2
EV/EBITDA (x)	19.6	19.7	19.0	17.5	15.8
Div Yield (%)	1.3	1.5	1.5	1.7	2.0
P/BV(x)	7.1	6.5	6.0	5.6	5.1
Net Gearing (%)	63.9	68.5	84.2	80.8	71.7
ROE (%)	15.6	15.7	14.3	13.2	13.9
ROA (%)	7.1	6.8	5.9	5.3	5.8
Cons. Net Profit (Btmn)	-	-	-	2,402	2,709

Source: Company reports and MBKET.

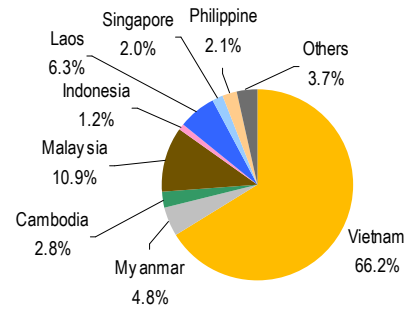
Vietnam is the key strategic market. Vietnam market has high potential growth based on strong economic expansion. Moreover, there are much more rooms to grow in the Vietnam Modern trade market as the current Modern trade market size is considered tiny at 4% vs Thailand Modern trade of 44%, Malaysia of 54%, and Singapore of 71%. The acquisition in Metro will help BJC achieve the target to increase international sales to 50% (from 20.9% currently) with Vietnam as the key strategic market in ASEAN.

Figure 1: International sales



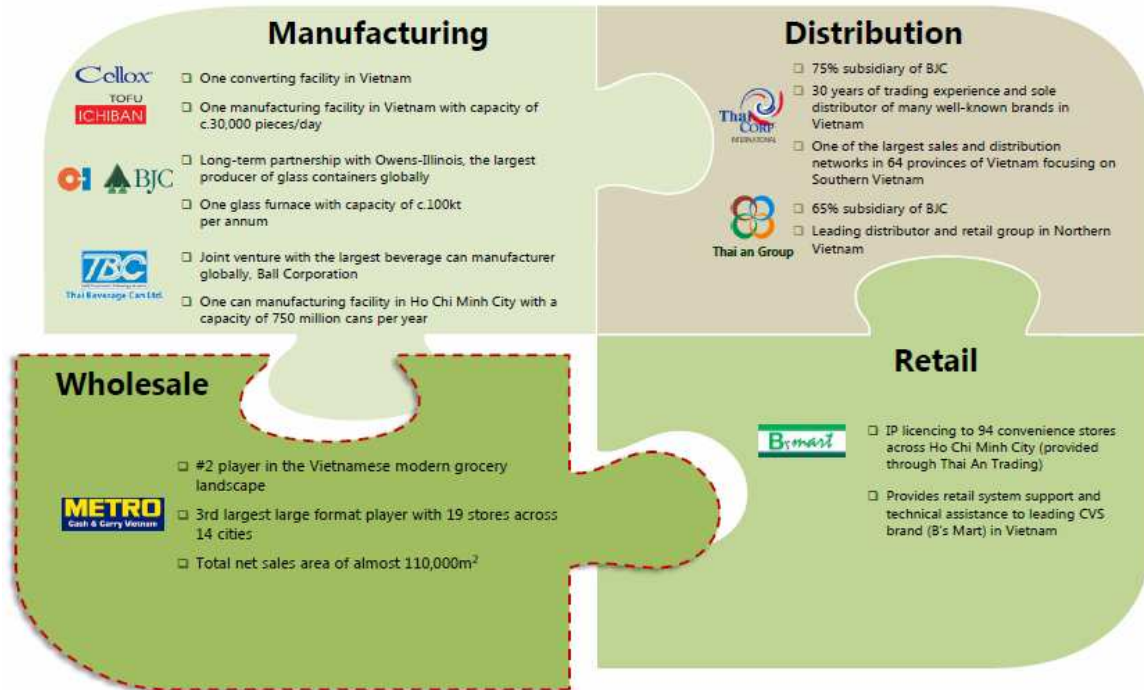
Source: Company reports

Figure 2: International sales breakdown 1Q14



Source: Company reports

Figure 3: BJC entire value chain in Vietnam



Source: Company reports

INCOME STATEMENT (Btmn)

FY December	2012	2013	2014F	2015F
Revenue	37,429	42,226	46,069	50,739
EBITDA	5,093	5,477	5,973	6,617
Depreciation & Amortisation	1,643	1,887	2,059	2,205
Operating Profit (EBIT)	3,450	3,590	3,914	4,411
Interest (Exp)/Inc	503	575	647	651
Associates	66	65	75	86
One-offs	87	102	0	0
Pre-Tax Profit	2,947	3,015	3,268	3,761
Tax	605	567	654	752
Minority Interest	80	189	260	312
Net Profit	2,415	2,426	2,428	2,782
Recurring Net Profit	2,328	2,324	2,428	2,782
Revenue Growth %	19.8	12.8	9.1	10.1
EBITDA Growth (%)	1.8	7.5	9.1	10.8
EBIT Growth (%)	3.3	4.1	9.0	12.7
Net Profit Growth (%)	12.8	0.5	0.1	14.6
Recurring Net Profit Growth (%)	10.3	(0.2)	4.5	14.6
Tax Rate %	20.5	18.8	20.0	20.0

BALANCE SHEET (Btmn)

FY December	2012	2013	2014F	2015F
Fixed Assets	16,683	18,713	21,655	22,449
Other LT Assets	4,605	6,474	6,549	6,635
Cash/ST Investments	2,015	1,780	1,898	1,839
Other Current Assets	14,956	17,535	16,601	17,756
Total Assets	38,260	44,503	46,702	48,679
ST Debt	4,828	6,155	6,405	6,233
Other Current Liabilities	7,399	8,680	8,787	9,369
LT Debt	8,344	10,521	10,949	10,655
Other LT Liabilities	1,406	1,448	1,429	1,439
Minority Interest	2,556	2,939	3,199	3,512
Shareholders' Equity	13,728	14,760	15,932	17,471
Total Liabilities-Capital	38,260	44,503	46,702	48,679
Share Capital (m)	1,588	1,590	1,595	1,600
Gross Debt/(Cash)	13,171	16,676	17,354	16,888
Net Debt/(Cash)	11,156	14,896	15,456	15,049
Working Capital	7,557	8,855	7,814	8,387
BVPS	8.64	9.28	9.99	10.92

CASH FLOW (Btmn)

FY December	2012	2013	2014F	2015F
Profit before taxation	2,947	3,015	3,268	3,761
Depreciation	1,643	1,887	2,059	2,205
Net interest receipts/(payments)	503	575	647	651
Working capital change	(1,028)	(1,298)	1,041	(574)
Cash tax paid	(605)	(567)	(654)	(752)
Others (incl'd exceptional items)	(583)	(764)	(907)	(963)
Cash flow from operations	2,877	2,849	5,454	4,328
Capex	(4,226)	(5,725)	(5,000)	(3,000)
Disposal/(purchase)	0	0	0	0
Others	50	3	0	0
Cash flow from investing	(4,176)	(5,722)	(5,000)	(3,000)
Debt raised/(repaid)	(108)	395	(137)	68
Equity raised/(repaid)	569	499	460	512
Dividends (paid)	(1,223)	(1,526)	(1,456)	(1,442)
Interest payments	503	575	647	651
Others	(503)	(575)	(647)	(651)
Cash flow from financing	(762)	(631)	(1,133)	(862)
Change in cash	(2,061)	(3,504)	(678)	466

RATES & RATIOS

FY December	2012	2013	2014F	2015F
Gross margin %	24.1	23.9	23.8	24.1
EBITDA Margin %	13.4	12.8	12.8	12.9
Op. Profit Margin %	9.1	8.4	8.4	8.6
Net Profit Margin %	6.4	5.7	5.2	5.4
ROE %	15.7	14.3	13.2	13.9
ROA %	6.8	5.9	5.3	5.8
Net Margin Ex. EI %	6.1	5.4	5.2	5.4
Dividend Cover (x)	1.8	1.8	1.6	1.6
Interest Cover (x)	6.9	6.2	6.1	6.8
Asset Turnover (x)	1.0	0.9	1.0	1.0
Asset/Debt (x)	1.7	1.7	1.7	1.8
Debtors Turn (days)	64.3	63.1	60.0	55.0
Creditors Turn (days)	54.2	57.7	55.0	50.0
Inventory Turn (days)	81.8	92.4	90.0	82.0
Net Gearing %	68.5	84.2	80.8	71.7
Debt/ EBITDA (x)	2.2	2.7	2.6	2.3
Debt/ Market Cap (x)	0.2	0.2	0.2	0.2

Source: Company reports and MBKET

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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2014

▲▲▲▲▲ Excellent		HEMKAJ	PAP	RS	SNC			
Score Range	Number of Logo	Description						
90-100	▲▲▲▲▲	ADVANC CIMBT	ICC	PG	S&J	SPALI		Excellent
80-89	▲▲▲▲	AOT CK	INTUCH	PHOL	SAMART	SPI		Very Good
70-79	▲▲▲	ASIMAR CPF	IRPC	PR	SAMTEL	SSI		Good
60-69	▲▲	BAFS CPN	IVL	PRANDA	SAT	SSSC		Satisfactory
50-59	▲	BANPU CSL	KBANK	PS	SC	SM		Pass
Lower than 50	No logo given	BAY DRT	KKP	PSL	SCB	SYMC		N/A
		BBL DTAC	KTB	PTT	SCC	TCAP		
		BCP EASTW	LPN	PTTEP	SCSMG	THAI		
		BECL EGCO	MCOT	PTTGC	SE-ED	THCOM	TIT	TRC UV
		BKI ERW	MINT	QH	SIM	THRE	TMB	TRUE VGI
		BROOK GRAMMY	NKI	RATCH	SIS	TIP	TNITY	TTW WACOAL
		BTS HANA	NOBLE	ROBINS	SITHAI	TISCO	TOP	TVO
▲▲▲▲ Very Good		ECL	JAS	MAKRO	PE	SINGER	THANI	TTCL
2S	BH	EE	JUBILE	MBK	PF	SIRI	THIP	TUF
ACAP	BIGC	EIC	KBS	MBKET	PJW	SKR	TICON	TWFP
AF	BJC	ESSO	KCE	MFC	PM	SMT	TIPCO	TYM
AHC	BLA	FE	KGI	MFEC	PPM	SNP	TK	UAC
AIT	BMCL	FORTH	KKC	MODERN	PPP	SPCG	TLUXE	UMI
AKP	BWG	GBX	KSL	MTI	PREB	SPPT	TMILL	UMS
AMANAH	CCET	GC	KWC	NBC	PRG	SSF	TMT	UP
AMARIN	CENDEL	GFPT	L&E	NCH	PT	STANLY	TNL	UPOIC
AMATA	CFRESH	GL	LANNA	NINE	PYLON	STEC	TOG	UT
AP	CGS	GLOW	LH	NMG	QTC	SUC	TPC	VBHA
APCO	CHOW	GOLD	LHBANK	NSI	RASA	SUSCO	TPCORP	VH
APCS	CM	GSTEL	LHK	NWR	SABINA	SYNTEC	TPIPL	VNG
ASIA	CNT	GUNKUL	LIVE	OCC	SAMCO	TASCO	TRT	VNT
ASK	CPALL	HMPRO	LOXLEY	OFM	SCCC	TCP	TRU	YUASA
ASP	CSC	HTC	LRH	OGC	SCG	TF	TSC	ZMICO
AYUD	DCC	IFEC	LST	OISHI	SEAFCO	TFD	TSTE	
BEC	DELTA	INET	MACO	PB	SFP	TFI	TSTH	
BFIT	DTC	ITD	MAJOR	PDI	SIAM	THANA	TTA	
▲▲▲ Good		DEMCO	HTECH	KWH	PAE	SIMAT	TIC	UEC
A	BGT	DNA	HYDRO	LALIN	PATO	SLC	TIES	UOBKH
AAV	BLAND	DRACO	IFS	LEE	PICO	SMT	TIW	UPF
AEC	BOL	EA	IHL	MATCH	PL	SMK	TKS	UWC
AEONTS	BROCK	EARTH	ILINK	MATI	POST	SOLAR	TMC	VARO
AFC	BSBM	EASON	INOX	MBAX	PRECHA	SPC	TMD	VTE
AGE	CHARAN	EMC	IRC	MDX	PRIN	SPG	TMI	WAVE
AH	CHUO	EPCO	IRCP	PRINC	Q-CON	SRICHA	TNDT	WIG
AI	CI	F&D	IT	MJD	QLT	SSC	TNPC	WIN
AJ	CIG	FNS	JMART	MK	RCI	STA	TOPP	WORK
AKR	CITY	FOCUS	JMT	MOONG	RCL	SUPER	TPA	
ALUCON	CMR	FPI	JTS	MPIC	ROJNA	SVA	TPP	
ANAN	CNS	FSS	JUTHA	MSC	RPC	SWC	TR	
ARIP	CPL	GENCO	KASET	NC	SCBLIF	SYNEK	TTI	
AS	CRANE	GFM	KC	NIPPON	SCP	TBSP	TVD	
BAT-3K	CSP	GJS	KCAR	NNCL	SENA	TCCC	TM	
BCH	CSR	GLOBAL	KDH	NTV	SF	TEAM	TWZ	
BEAUTY	CTW	HFT	KTC	OSK	SGP	TGCI	UBIS	

Source: Thai Institute of Directors (IOD)

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