


14 August 2014

Commerce
BJC
Berli Jucker

| | | | | | | | |
|----------------|-----------------|--------------|----------------|-------------------|----------------|-------------------|---|
| Current | Previous | Close | 2015 TP | Exp Return | Support | Resistance | CGR 2013 |
| SELL | SELL | 55.00 | 50.00 | - 9.1% | 54-53 | 58-61 |  |

Consolidated earnings

| BT (mn) | 2012 | 2013 | 2014E | 2015E |
|------------------------------|-------|-------|-------|-------|
| Normalized earnings | 2,328 | 2,324 | 2,472 | 2,802 |
| Net profit | 2,415 | 2,426 | 2,472 | 2,802 |
| Normalized EPS (Bt) | 1.47 | 1.46 | 1.56 | 1.76 |
| Reported EPS (Bt) | 1.52 | 1.53 | 1.56 | 1.76 |
| % Reported EPS growth | 12.8 | 0.5 | 1.9 | 13.3 |
| Dividend (Bt) | 0.84 | 0.84 | 0.84 | 0.88 |
| BV/share (Bt) | 8.64 | 9.29 | 10.30 | 11.18 |
| EV/EBITDA (x) | 20.72 | 20.08 | 18.97 | 17.49 |
| PER (x) | 37.5 | 37.6 | 35.3 | 31.2 |
| PER (x) - normalized | 36.2 | 36.0 | 35.3 | 31.2 |
| PBV (x) | 6.4 | 5.9 | 5.3 | 4.9 |
| Dividend yield (%) | 1.5 | 1.5 | 1.5 | 1.6 |
| YE No. of shares (million) | 1,588 | 1,588 | 1,588 | 1,588 |
| No. of share - full dilution | 1,588 | 1,588 | 1,588 | 1,588 |
| Par (Bt) | 1.0 | 1.0 | 1.0 | 1.0 |

Source: Company data, FSS estimates

2Q14 net profit sharply misses estimates
2Q14 net profit at 20-quarter low

BJC's 2Q14 net profit comes in at Bt328mn (-36.4% Q-Q, -48.2% Y-Y), sharply below our estimates of Bt412mn and at its 20-quarter low. Excluding FX gain of Bt45mn, the company's normalized earnings are disappointing at Bt282mn (-49% Q-Q, -48.4% Y-Y). Such losses were attributed to weak performance from both packaging and consumer units, and healthcare business which stabilized Q-Q. To elaborate, consumer business (which generates 38% of total revenue) reported weak net profit of just Bt7mn (i.e. net profit margin of just 0.2%), down from Bt129mn in 1Q14 owing to negative impact from political problems and poor domestic consumption. Although the situation improved in the latter part of 2Q14, BJC is manufacturer and the company will only benefit going forward. In 2Q14, BJC did aggressive promotion in order to stimulate revenue, which eventually failed, resulting in an increase in expenses, but not a rise in sales revenue. As such, SG&A expenses-to-revenues ratio increased to 18% (vs. our estimate of 17.5%), up from 17.2% in 1Q14 and 16.3% in 2Q13.

Expect 2H14 net profit to recover and downside to 2015E net profit

BJC's 1H14 net profit is equal to Bt844mn (-35% Y-Y), sufficient to secure just 34% of our full-year estimates. Looking ahead, we expect BJC's net profit to recover in 2H14 after BJC has seen sharp increase in purchase orders, especially from packaging business which received export orders to Myanmar and Laos. In addition, we believe that healthcare business will rise after government disbursement returns to normal, while we predict that consumer business will make a turnaround in 2H14 thanks to the consumer industry's high season in 4Q14. Finally, we believe that the Metro deal will only complete in 1H15 at the earliest. Hence, we view that such deal does not have an impact on our net profit estimates for this year. Nonetheless, the deal might hurt our net profit forecast for 2015 due to (1) larger interest burden when more borrowings are made, (2) an EPS dilution in case that the company decides to increase its capital (subject to results from a board meeting on sources of fund on August 19), and (3) Metro's weak operating performance. With that, we maintain our 2014E net profit at Bt2.5bn (flat Y-Y). Furthermore, we predict that BJC's net profit will grow 13.3% Y-Y to Bt2.8bn in 2015, assuming no Metro deal. In this regard, we stand by our 2015 TP of Bt50 (DCF). Finally, we retain our SELL rating on BJC because the stock is now fully valued. Note that BJC has announced an interim DPS of Bt0.35 for its performance in 1H14, implying dividend yield of 0.6%. The stock will go XD on August 29 and the dividend will be paid on September 12, 2014.

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| 2Q14 Earnings Results | | | | | | Comment |
|--------------------------|--------|--------|-------|--------|-------|---|
| (Bt mn) | 2Q14 | 1Q14 | %Q-Q | 2Q13 | %Y-Y | |
| Revenues | 10,665 | 10,696 | -0.3 | 10,477 | 1.8 | <ul style="list-style-type: none"> ■ Revenues are weak (i.e. flat Q-Q and Y-Y). ■ As a result, gross margin edges down to 22.2% from 23.3% in 1Q14 and 24.2% in 2Q13. ■ SG&A expenses-to-revenues ratio accelerates to 18% from 17.2% in 1Q14 and 16.3% in 2Q13 after BJC did aggressive promotion to stimulate revenues, especially in the consumer business. However, the campaign failed. Hence, the consumer business' profit sharply decreases, which drags BJC's net profit to its 20-quarter low. |
| Cost of services | 8,299 | 8,201 | 1.2 | 7,936 | 4.6 | |
| Gross profit | 2,367 | 2,496 | -5.2 | 2,540 | -6.8 | |
| SG&A | 1,915 | 1,842 | 4.0 | 1,709 | 12.1 | |
| Interest expense | 150 | 151 | -0.7 | 133 | 12.8 | |
| Normalized earnings | 282 | 553 | -49.0 | 547 | -48.4 | |
| Net profit | 328 | 516 | -36.4 | 633 | -48.2 | |
| EPS | 0.206 | 0.325 | -36.4 | 0.398 | -48.2 | |
| Gross margin (%) | 22.2 | 23.3 | -1.1 | 24.2 | 2.0 | |
| Norm earnings margin (%) | 2.6 | 5.2 | -2.6 | 5.2 | -2.6 | |
| Net profit margin (%) | 3.1 | 4.8 | -1.7 | 6.0 | -2.9 | |

Source: Company data, FSS Research

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Patumwan, Bangkok

Amarin Tower

496-502 Amarin Tower
20th Floor, Pleonchit,
Lumpini, Pathumwan,
Bangkok

Sindhorn 1

130-132 Sindhorn Building 1,
2nd Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Sindhorn 2

130-132 Sindhorn Building 3,
24th Floor, Wireless Road,
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Bangkok

Sindhorn 3

130-132 Sindhorn Building 3,
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Bangkok

Sukhumvit 21

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Bangkok

Asoke

159 Sermit Tower 17th Floor,
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Klongtuey North, Wattana,
Bangkok

Silom

191 Silom Complex Building
Unit 2,3-1 21st Floor, Silom Road,
Silom, Bangrak,
Bangkok

Fortune Town

1 Fortune Town Building,
23rd Floor, Zone B3,
Rachadapisek Road, Dindaeng,
Bangkok

Italthai Tower

2034/52 Italthai Tower,
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New Petchburi Road, Bangkok,
Huaykwang, Bangkok

Thaisummit Tower 1

1768 Thaisammit Tower Building,
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Bangkok

Thaisummit Tower 2

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Road, Bangkapi, Huaykwang,
Bangkok

Pinklao 1

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Pinklao 2

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Arunamarin, Bangkokknoi, Bangkok

Pinklao 3

7/3 Central Tower B, Pinklao,
16th Floor, Baromratchonnane
Road, Arunamarin, Bangkokknoi,
Bangkok

Central Rattatibet

68/127 Moo 8 Rattatibet Road,
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Aumphoe Muang,
Nonthaburi

Ladprao

555 Rasa Tower 2, 11st Floor,
Unit 1106, Phaholyothin Road,
Chatuchak, Bangkok

Prachachuen

105/1 B Building, 4th Floor,
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Ladyao, Jutajak, Bangkok

Bangna

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Room 1093/105 Moo 12,
Bangna-Trad Road, Bangna,
Bangkok

Bangkapi

3105 N Mark Building, 3rd Floor,
Room A3 R02, Ladprao Road,
Klongjan, Bangkapi, Bangkok

Rang sit

1/832 Phaholyothin 60
Kukod, Lumlookka
Pratumtane

Nakornpathom

28/16-17 Yingpao Road,
Tumbon Sanamjan,
Aumphoe Muang, Nakornpathom

Chonburi

44 Vacheraprakran Road,
Tumbon Bangplasoi,
Aumphoe Muang, Chonburi

Samutsakorn

1045/16-17 Vichienchodok,
Tumbon Mhachai, Aumphoe
Meungsamutsakorn, Samutsakorn

Chachoengsao

233-233/2 1st Floor, Moo 12,
Sukprayoon Road,
Tumbon Namuang, Aumphoe
Muang, Chachoengsao

Chiangmai 1

308 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 2

310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Khonkaen 1

311/16 2nd Floor, Klangmeung
Road, Tumbon Nai Meung,
Aumphoe Meung,
Khonkaen

Khonkaen 2

26/9 Moo 7 2nd Floor,
Srijan new Road, Tumbon
Nai Meung, Aumphoe Meung,
Khonkaen

Measai

119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Hatyai 1

200/222, 200/224, 200/226
Juldis Hadyai Plaza, 2nd Floor,
Building, Niphat Uthit 3 Road,
Aumphoe Hadyai, Songkhla

Hatyai 2

106 Prachathipat Road,
Aumphoe Hadyai, Songkhla

Hatyai 3

200/222, 200/224, 200/226
Juldis Hadyai Plaza, 2nd Floor,
Building, Niphat Uthit 3 Road,
Aumphoe Hadyai, Songkhla

Phuket

22/18 Vanish Plaza Shopping
Mall, Luangporwatchalong Road,
Tumbon Talad Yai,
Aumphoe Meung, Phuket

Suratthani

173/83-84 Moo 1
Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumphoe Mueang, Suratthani

Krabi

223/20 Mharaj Road,
Tumbon Paknam,
Aumphoe Meung, Krabi

Pattane

300/69-70 Moo 4,
Tumbon Ruramirae,
Aumphoe Meung, Pattane

Udonthani

104/6, 2 fl., ICBC Bank Tower
Udon Dusadee Road,
Tumbon Mak Khaeng,
Aumphoe Muang Udon Thani,
Udon Thani

Khonkaen

4/6, 2 fl., ICBC Bank Tower
Khang Meung Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

Trang

59/28 Huaiyod Road,
Tumbon Thaptieng,
Aumphoe Meungtrang, Trang

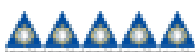
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| Natapon | Khamthakreaau | Derivatives | 0-2646-9820 | natapon.k@fnsyrus.com |
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Recommendation Definitions

| | |
|-------------|--|
| BUY | The latest close is below our target price and the estimated upside is 10% or more. |
| HOLD | The latest close is below our target price and the estimated upside is 0-10%. |
| SELL | The latest close is above our target price. |
| TRADING BUY | The latest close is above our target price but the price is expected to be driven by short-term positive factors |
| OVERWEIGHT | The estimated return is higher than the market average. |
| NEUTRAL | The estimated return is the same as the market average. |
| UNDERWEIGHT | The estimated return is lower than the market average |

Note: The expected return may change as market risks increase or decline.

Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2013


| | |
|--------|-------|
| ADVANC | BROOK |
| AOT | BTS |
| ASIMAR | CIMBT |
| BAFS | CK |
| BANPU | CPF |
| BAY | CPN |
| BBL | CSL |
| BCP | DRT |
| BECL | DTAC |
| BKI | EASTW |

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|--------|-------|
| EGCO | KKP |
| ERW | KTB |
| GRAMMY | LPN |
| HANA | MCOT |
| HEMRAJ | MINT |
| ICC | NKI |
| INTUCH | NOBLE |
| IRPC | PAP |
| IVL | PG |
| KBANK | PHOL |

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|--------|--------|
| PR | RS |
| PRANDA | S&J |
| PS | SAMART |
| PSL | SAMTEL |
| PTT | SAT |
| PTTEP | SC |
| PTTGC | SCB |
| QH | SCC |
| RATCH | SCSMG |
| ROBINS | SE-ED |

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|--------|-------|
| SIM | TCAP |
| SIS | THAI |
| SITHAI | THCOM |
| SNC | THRE |
| SPALI | TIP |
| SPI | TISCO |
| SSI | TKT |
| SSSC | TMB |
| SVI | TNITY |
| SYMC | TOP |

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|--------|--------|
| TRC | TRC |
| TRUE | TRUE |
| TTW | TTW |
| TVO | TVO |
| UV | UV |
| VGI | VGI |
| WACOAL | WACOAL |

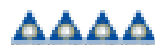
Score Range

| |
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| 100-90 |
| 80-89 |
| 70-79 |
| 60-69 |
| 50-59 |
| <50 |

Rating

Description

| |
|--------------|
| Excellent |
| Very Good |
| Good |
| Satisfactory |
| Pass |
| n/a |



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|--------|--------|
| 25 | ASK |
| ACAP | ASP |
| AF | AYUD |
| AHC | BEC |
| AIT | BFIT |
| AKP | BH |
| AMANAH | BIGC |
| AMARIN | BJC |
| AMATA | BLA |
| AP | BMCL |
| APCO | BWG |
| APCS | CCET |
| ASIA | CENDEL |

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|--------|--------|
| CFRESH | ESSO |
| CGS | FE |
| CHOW | FORTH |
| CM | GBX |
| CNT | GC |
| CPALL | GFPT |
| CSC | GL |
| DCC | GLOW |
| DELTA | GOLD |
| DTC | GSTEL |
| ECL | GUNKUL |
| EE | HMPRO |
| EIC | HTC |

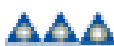
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|--------|--------|
| IFEC | LH |
| INET | LHBANK |
| ITD | LHK |
| JAS | LIVE |
| JUBILE | LOXLEY |
| KBS | LRH |
| KCE | LST |
| KGI | MACO |
| KKC | MAJOR |
| KSL | MAKRO |
| KWC | MBK |
| L&E | MBKET |
| LANNA | MFC |

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|--------|-------|
| MFEC | PB |
| MODERN | PDI |
| MTI | PE |
| NBC | PF |
| NCH | PJW |
| NINE | PM |
| NMG | PPM |
| NSI | PPP |
| NWR | PREB |
| OCC | PRG |
| OFM | PT |
| OGC | PYLON |
| OISHI | QTC |

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|--------|--------|
| RASA | SPCG |
| SABINA | SPPT |
| SAMCO | SSF |
| SCCC | STANLY |
| SCG | STEC |
| SEAFCO | SUC |
| SFP | SUSCO |
| SIAM | SYNTEC |
| SINGER | TASCO |
| SIRI | TCP |
| SKR | TF |
| SMT | TFD |
| SNP | TFI |

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| THANA | TPIPL |
| THANI | TRT |
| THIP | TRU |
| TICON | TSC |
| TIPCO | TSTE |
| TK | TSTH |
| TLUXE | TTA |
| TMILL | TTCL |
| TMT | TUF |
| TNL | TWFP |
| TOG | TYM |
| TPC | UAC |
| TPCORP | UMI |

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| UMS |
| UP |
| UPOIC |
| UT |
| VIBHA |
| VIH |
| VNG |
| VNT |
| YUASA |
| ZMICO |



| | |
|--------|--------|
| A | ARIP |
| AAV | AS |
| AEC | BAT-3K |
| AEONTS | BCH |
| AFC | BEAUTY |
| AGE | BGT |
| AH | BLAND |
| AI | BOL |
| AJ | BROCK |
| AKR | BSBM |
| ALUCON | CHARAN |
| ANAN | CHUO |

| | |
|-------|-------|
| CI | DRACO |
| CIG | EA |
| CITY | EARTH |
| CMR | EASON |
| CNS | EMC |
| CPL | EPCO |
| CRANE | F&D |
| CSP | FNS |
| CSR | FOCUS |
| CTW | FPI |
| DEMCO | FSS |
| DNA | GENCO |

| | |
|--------|-------|
| GFM | IT |
| GJS | JMART |
| GLOBAL | JMT |
| HFT | JTS |
| HTECH | JUTHA |
| HYDRO | KASET |
| IFS | KC |
| IHL | KCAR |
| ILINK | KDH |
| INOX | KTC |
| IRC | KWH |
| IRCP | LALIN |

| | |
|-------|--------|
| LEE | NIPPON |
| MATCH | NNCL |
| MATI | NTV |
| MBAX | OSK |
| MDX | PAE |
| PRINC | PATO |
| MJD | PICO |
| MK | PL |
| MOONG | POST |
| MPIC | PRECHA |
| MSC | PRIN |
| NC | Q-CON |

| | |
|--------|---------|
| QLT | SMIT |
| RCI | SMK |
| RCL | SOLAR |
| ROJNA | SPC |
| RPC | SPG |
| SCBLIF | SIRICHA |
| SCP | SSC |
| SENA | STA |
| SF | SUPER |
| SGP | SVOA |
| SIMAT | SWC |
| SLC | SYNEX |

| | |
|------|-------|
| TBSP | TNPC |
| TCCC | TOPP |
| TEAM | TPA |
| TGCI | TPP |
| TIC | TR |
| TIES | TTI |
| TIW | TVD |
| TKS | TVI |
| TMC | TWZ |
| TMD | UBIS |
| TMI | UEC |
| TNDT | UOBKH |

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|------|
| UPF |
| UWC |
| VARO |
| VTE |
| WAVE |
| WG |
| WIN |
| WORK |

IOD (IOD Disclaimer)

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