

Take Profit (Unchanged)

CGR Scoring Rating



Share price: Bt48.50
Target price: Bt49.00 (from 47.00)

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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 (mn):	1,592
Market Cap (Btmn)	77,217
Market Cap (US\$m)	2,420
3-mth Avg. Daily Turnover (Btmn)	139.27
SET index	1,551.41
Free float (%)	26.23

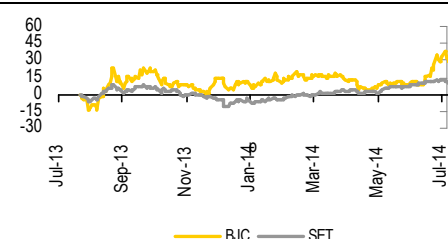
Major Shareholders :

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

Key Indicators

ROE – annualised (%)	10.5
Net cash (Btmn):	-16,768
NTA/shr (Bt):	9.9
Interest cover (x):	4.8

Historic Chart



Performance

52-week High/Low	Bt 60.50/Bt 34.00				
	1-mth	3-mth	6-mth	1-yrs	YTD
Absolute (%)	6.7	18.2	8.9	11.2	7.8
Relative (%)	5.1	7.4	-6.2	4.5	-9.5

Berli Jucker PCL (BJC)

Projection cut, but still positive for the long run

We have revised down our earnings projection to price in the declining profit hurt by a slowdown in the economy and lower consumption. However, we maintain our positive view on BJC over the long term. We agree with the funding for the Metro acquisition through a capital increase and loans that match with the long-term investment. Although BJC will be pressured by dilution, more interest expenses and losses from Metro in the near term, we believe Metro will enhance the BJC retail business in Vietnam over the long run. Even with the TP roll over to 2015 at Bt49.00, the upside is still limited. We reiterate a Take Profit rating.

Earnings downgrade with an improving outlook in 2H14. We have revised down our 2014-15 forecast by 21% and 10%, respectively, to price in the softer 1H14 earnings. However, the recovering economy and better consumer confidence should drive sales of packaging and consumer products upward. The formation of a new government will improve government spending, benefiting the BJC medical equipment sales. BJC also will reduce material prices and marketing expenses.

Financing from a capital increase and loans. BJC will issue 360.43mn new shares via a Rights Offering at a ratio of 9 existing shares to 2 new shares priced at Bt45 each. Any unsubscribed shares will be offered through a Private Placement priced at least Bt45. BJC will receive Bt16.2bn in new cash. The remaining investment of Bt12bn may be financed from a bridging loan or long-term loan, to acquire Metro at a value of Bt28.37bn.

Short term hurt with long term growth. The cash call will result in an 18.4% dilution effect, while borrowing will add an additional Bt480mn in interest expenses yearly (based on 4% interest rate vs. the BJC average cost of funds at 3.55%). We expect the acquisition to be completed in mid 2015, allowing BJC to consolidate Metro from 2H15 onward. We project Metro to remain in a loss in 2015 (see Figure 5) before reaching breakeven in 2016 and a profit of Bt500mn in 2017 based on assumed net margin of 2.2% (vs. MAKRO net margin 3.3%). Despite the dilution effect, the capital increase will not add heavy interest expenses, helping the financial status. We expect net gearing at 0.83x after the cash call (vs. 0.89x in 2Q14).

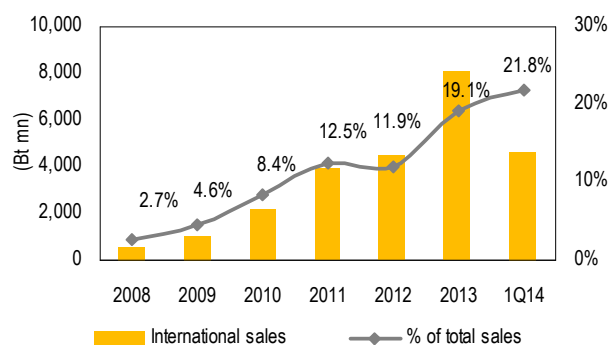
Risks. The economic slowdown, less glass packaging demand, delayed government orders, rising material costs and lower-than-expected performance of retail business in Vietnam.

BJC – Summary Earnings Table

FYE: Dec 31 (THB m)	2012	2013	2014F	2015F	2016F
Revenue	37,429	42,226	45,014	49,151	53,199
EBITDA	5,093	5,477	5,372	6,279	6,879
Recurring Net Profit	2,328	2,324	1,922	2,494	2,940
Net profit	2,415	2,426	1,922	2,494	2,940
EPS (Bt)	1.52	1.53	1.20	1.56	1.83
EPS growth (%)	12.8	0.3	(21.0)	29.4	17.7
DPS (Bt)	0.84	0.84	0.75	0.85	1.00
PER	31.9	31.8	40.3	31.1	26.4
EV/EBITDA (x)	17.3	16.8	17.5	15.0	13.6
Div Yield (%)	1.7	1.7	1.5	1.8	2.1
P/BV(x)	5.6	5.2	4.9	4.5	4.2
Net Gearing (%)	68.5	84.2	89.1	79.7	70.6
ROE (%)	15.7	14.3	10.5	12.7	13.8
ROA (%)	6.8	5.9	4.2	5.2	5.9
Cons. Net Profit (Btmn)	-	-	2,335	2,719	2,868

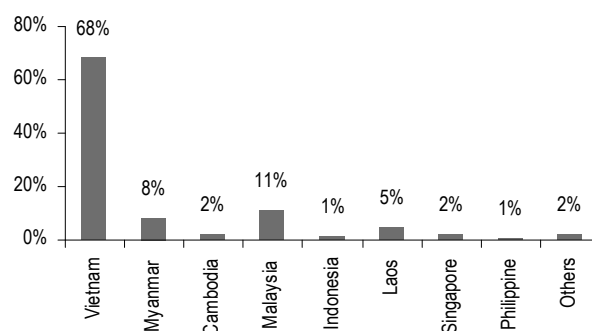
Note: Excluding METRO acquisition. Source: Company reports and MBKET estimates.

Figure 1: BJC - International sales



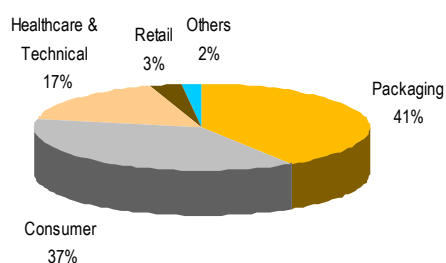
Source: Company reports

Figure 2: BJC – 1H14 International sales breakdown



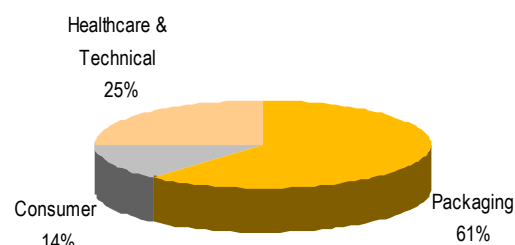
Source: Company reports

Figure 3: BJC – Sales breakdown



Source: Company reports

Figure 4: BJC – Net profit breakdown



Source: Company reports

Figure 5: Estimated consolidation of Metro

(Btmn)	2014	2015	2016	2017
BJC				
Sales	45,014	49,151	53,199	56,217
Net profit	1,922	2,494	2,940	3,291
EPS (Bt)	1.20	1.56	1.83	2.05
Metro Vietnam				
Sales		23,100	24,255	25,468
Net margin		-1%	0%	2%
Net profit		- 231	-	509
Additional interest expenses		480	480	480
BJC + Metro				
Sales		60,701	77,454	81,685
Net profit		2,139	2,460	3,320
EPS (Bt)		1.09	1.25	1.69
PER (x)	40.3	44.5	38.7	28.7
Net gearing (%)	86.3	82.6	82.6	82.6

Source: MBKET Research.

INCOME STATEMENT (Btmn)

FY December	2013	2014F	2015F	2016F
Revenue	42,226	45,014	49,151	53,199
EBITDA	5,477	5,372	6,279	6,879
Depreciation & Amortisation	1,887	2,161	2,328	2,392
Operating Profit (EBIT)	3,590	3,211	3,950	4,487
Interest (Exp) / Inc	575	671	699	677
Associates	65	81	93	103
One-offs	102	0	0	0
Pre-Tax Profit	3,015	2,540	3,251	3,810
Tax	567	508	650	762
Minority Interest	189	191	200	210
Net Profit	2,426	1,922	2,494	2,940
Recurring Net Profit	2,324	1,922	2,494	2,940
Revenue Growth %	12.8	6.6	9.2	8.2
EBITDA Growth (%)	7.5	(1.9)	16.9	9.6
EBIT Growth (%)	4.1	(10.5)	23.0	13.6
Net Profit Growth (%)	0.5	(20.8)	29.8	17.9
Recurring Net Profit Growth (%)	(0.2)	(17.3)	29.8	17.9
Tax Rate %	18.8	20.0	20.0	20.0

BALANCE SHEET (Btmn)

FY December	2013	2014F	2015F	2016F
Fixed Assets	18,713	22,053	22,724	22,833
Other LT Assets	6,474	6,556	6,649	6,752
Cash / ST Investments	1,780	1,898	1,839	1,868
Other Current Assets	17,535	16,973	17,857	19,402
Total Assets	44,503	47,479	49,070	50,854
ST Debt	6,155	6,890	6,692	6,466
Other Current Liabilities	8,680	8,568	9,073	9,739
LT Debt	10,521	11,776	11,438	11,053
Other LT Liabilities	1,448	1,429	1,439	1,434
Minority Interest	2,939	3,130	3,330	3,540
Shareholders' Equity	14,760	15,686	17,099	18,622
Total Liabilities-Capital	44,503	47,479	49,070	50,854
Share Capital (mn)	1,590	1,595	1,600	1,603
Gross Debt / (Cash)	16,676	18,666	18,129	17,519
Net Debt / (Cash)	14,896	16,768	16,290	15,651
Working Capital	8,855	8,404	8,785	9,663
BVPS	9.28	9.83	10.69	11.62

CASH FLOW (Btmn)

FY December	2013	2014F	2015F	2016F
Profit before taxation	3,015	2,540	3,251	3,810
Depreciation	1,887	2,161	2,328	2,392
Net interest receipts / (payments)	575	671	699	677
Working capital change	(1,298)	451	(380)	(878)
Cash tax paid	(567)	(508)	(650)	(762)
Others (inc. exceptional items)	(764)	(862)	(899)	(888)
Cash flow from operations	2,849	4,452	4,349	4,351
Capex	(5,725)	(5,500)	(3,000)	(2,500)
Disposals / (purchases)	0	0	0	0
Others	3	0	0	0
Cash flow from investing	(5,722)	(5,500)	(3,000)	(2,500)
Debt raised / (repaid)	395	(137)	68	(34)
Equity raised / (repaid)	499	390	400	316
Dividends (paid)	(1,526)	(1,196)	(1,280)	(1,523)
Interest payments	575	671	699	677
Others	(575)	(671)	(699)	(677)
Cash flow from financing	(631)	(942)	(812)	(1,241)
Change in cash	(3,504)	(1,990)	537	610

RATES & RATIOS

FY December	2013	2014F	2015F	2016F
Gross margin %	23.9	23.0	23.8	24.1
EBITDA Margin %	12.8	11.8	12.6	12.7
Op. Profit Margin %	8.4	7.0	7.9	8.3
Net Profit Margin %	5.7	4.2	5.0	5.4
ROE %	14.3	10.5	12.7	13.8
ROA %	5.9	4.2	5.2	5.9
Net Margin Ex. EI %	5.4	4.2	5.0	5.4
Dividend Cover (x)	1.8	1.6	1.8	1.8
Interest Cover (x)	6.2	4.8	5.7	6.6
Asset Turnover (x)	0.9	0.9	1.0	1.0
Asset / Debt (x)	1.7	1.7	1.7	1.8
Debtors Turn (days)	63.1	63.0	60.0	60.0
Creditors Turn (days)	57.7	55.0	50.0	49.0
Inventory Turn (days)	92.4	91.0	82.0	80.0
Net Gearing %	84.2	89.1	79.7	70.6
Debt / EBITDA (x)	2.7	3.1	2.6	2.3
Debt / Market Cap (x)	0.2	0.2	0.2	0.2

Source: Company reports and MBKET estimates.

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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						Score Range	Number of Logo	Description
ADVANC	CIMBT	ICC	PG	S&J	SPALI	90-100	▲▲▲▲▲	Excellent
AOT	CK	INTUCH	PHOL	SAMART	SPI	80-89	▲▲▲▲▲	Very Good
ASIMAR	CPF	IRPC	PR	SAMTEL	SSI	70-79	▲▲▲▲	Good
BAFS	CPN	IVL	PRANDA	SAT	SSSC	60-69	▲▲▲	Satisfactory
BANPU	CSL	KBANK	PS	SC	SM	50-59	▲	Pass
BAY	DRT	KKP	PSL	SCB	SYMC	Lower than 50	No logo given	N/A
BBL	DTAC	KTB	PTT	SCC	TCAP			
BCP	EASTW	LPN	PTTEP	SCSMG	THAI			
BECL	EGCO	MCOT	PTTGC	SE-ED	THCOM	TKT	TRC	UV
BKI	ERW	MINT	QH	SIM	THRE	TM6	TRUE	VGI
BROOK	GRAMMY	NKI	RATCH	SIS	TIP	TMTY	TTW	WACOAL
BTS	HANA	NOBLE	ROBINS	SITHAJ	TISCO	TOP	TVO	
▲▲▲▲ Very Good								
ZS	BH	EE	JUBILE	MBK	PF	SINGER	THANI	TTCL
ACAP	BIGC	EIC	KBS	MBKET	PJW	SIRI	THIP	TUF
AF	BJC	ESSO	KCE	MFC	PM	SKR	TICON	TWFP
AHC	BLA	FE	KGI	MFEC	PPM	SMT	TIPCO	TYM
AIT	BMCL	FORTH	KKC	MODERN	PPP	SNP	TLUXE	UAC
AKP	BWG	GBX	KSL	MTI	PREB	SPCG	TMLL	UMS
AMANAH	CCEET	GC	KWC	NBC	PRG	SPPT	TMT	UP
AMARIN	CENDEL	GFPT	L&E	NCH	PT	SSF	TNL	UPOIC
AMATA	CFRESH	GL	LANNA	NINE	PYLON	STANLY	TOG	UT
AP	CGS	GLOW	LH	NMG	QTC	STEC	TPC	VIBHA
APCO	CHOW	GOLD	LHBANK	NSI	RASA	SUC	TPCORP	VH
APCS	CM	GSTEL	LHK	NWR	SABINA	SUSCO	TPIPL	VNG
ASIA	CNT	GUNKUL	LIVE	OCC	SAMCO	SYNTEC	TRT	VNT
ASK	CPALL	HMPRO	LOXLEY	OFM	SCCC	TASCO	TRU	YUASA
ASP	CSC	HTC	LRH	OGC	SCG	TCP	TSC	ZMICO
AYUD	DCC	IFEC	LST	OISHI	SEAFCO	TF	TFD	
BEC	DELTA	INET	MACO	PB	SFP	TFI	TSTH	
BFIT	DTC	ITD	MAJOR	PDI	SIAM	THANA	TTA	
▲▲▲ Good								
A	BGT	DNA	HYDRO	LALIN	PATO	SIMAT	TIC	UEC
AAV	BLAND	DRACO	IFS	LEE	PICO	SLC	TIES	UOBKH
AEC	BOL	EA	IHL	MATCH	PL	SMT	TIW	UPF
AEDNTS	BROCK	EARTH	ILINK	MATI	POST	SMK	TKS	UWC
AFC	BSBM	EASON	INOX	MBAX	PRECHA	SOLAR	TMC	VARO
AGE	CHARAN	BMC	IRC	MDX	PRIN	SPC	TMD	VTE
AH	CHUO	EPCO	IRCP	PRINC	Q-CON	SPG	TMI	WAVE
AI	CI	F&D	IT	MJD	QLT	SRICHA	TNDT	WG
AJ	CIG	FNS	JMART	MK	RCI	SSC	TNCP	WIN
AKR	CITY	FOCUS	JMT	MOONG	RCL	STA	TOPP	WORK
ALUCON	CMR	FPI	JTS	MPIC	ROJNA	SUPER	TPA	
ANAN	CNS	FSS	JUTHA	MSC	RPC	SVA	TPP	
ARIP	CPL	GENCO	KASET	NC	SCBLIF	SWC	TR	
AS	CRANE	GFM	KC	NIPPON	SCP	SYNEX	TTI	
BAT-3K	CSP	GJS	KCAR	NNCL	SENA	TBSP	TVD	
BCH	CSR	GLOBAL	KDH	NTV	SF	TCCC	TM	
BEAUTY	CTW	HFT	KTC	OSK	SGP	TEAM	TWZ	
						TGCI	UBIS	

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