


21 November 2014

Commerce

BJC
Berli Jucker

Current	Previous	Close	2015 TP	Exp Return	Support	Resistance	CGR 2014
HOLD	HOLD	42.25	45.00	+ 6.5%	42-41	43.50-44.50	

Consolidated earnings

BT (m)	2012	2013	2014E	2015E
Normalized profit	2,328	2,324	1,550	2,543
Net profit	2,415	2,426	1,550	2,543
EPS (Bt)-Normalized	1.47	1.46	0.97	1.60
EPS (Bt)	1.52	1.53	0.97	1.60
% growth y-y	12.8	0.3	-36.1	64.0
Dividend (Bt)	0.84	0.84	0.53	0.80
BV/share (Bt)	8.64	9.28	10.02	10.82
EV/EBITDA (x)	16.81	16.47	19.24	14.83
PER (x) - Normalized	28.8	28.9	43.3	26.4
PER (x)	27.8	27.7	43.3	26.4
PBV (x)	4.9	4.6	4.2	3.9
Dividend yield (%)	2.0	2.0	1.2	1.9
YE no. of shares (mn)	1,588	1,590	1,590	1,590
No. of share-fully diluted	1,668	1,668	1,668	1,668
Par (Bt)	1.0	1.0	1.0	1.0

Source: Company data, FSS estimates

Cut 2014E net profit to lowest point in five years

We have slashed our 2014E net profit by 37% to where it now implies a jump of 36% Y-Y and the lowest point in five years owing to a sharp decline in purchase power. We believe that BJC's net profit have troughed in 3Q14 and will recover in 4Q14 through to 2015 thanks to a recovery in purchase power and a decline in retail operators' inventory. According to BJC, the company has started to see a rise in purchase order in 4Q14 and continue growth in international business. We have also cut our 2015E net profit by 9% to where it now implies a jump of 64% Y-Y thanks to a low base this year. In regard to the Metro deal, BJC is now in a process to obtain a permit from the Vietnamese government. The company expects the process to complete and the capital hike to take place in mid-2015 at the earliest. Similarly, we decrease our 2015 TP to Bt45 from Bt50 (DCF). The stock has decreased by 8% in the last one month. At our new 2015 TP, it now implies an upside of 6.5%. Hence, we retain our HOLD rating on BJC.

Share data

Close (20/11/2014)	42.25
SET Index	1,568.68
Foreign limit/actual (%)	49.0/7.82
Paid up shares (million)	1,592.21
Free float (%)	26.23
Market cap (Bt mn)	67,270.91
Avg daily T/O (Bt mn) (2014 YTD)	70.28
hi, lo, avg (Bt) (2014 YTD)	60.50, 42.00, 49.88

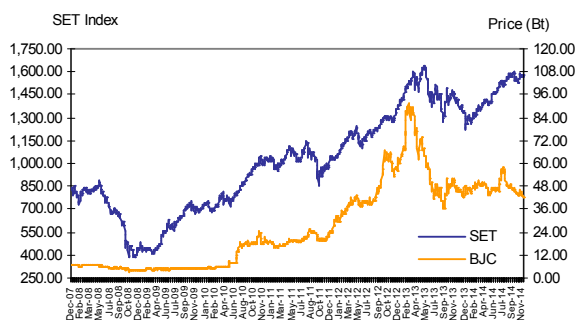
Source: Setsmarts

2014 net profit likely dull and lowest in five years

In 2014, excise tax for alcohol beverages increases, while agricultural product prices decrease. Moreover, purchasing power is weak, while household debt remains high. All of which severely hit BJC's 2014 operating results. In 9M14, the company's net profit tumbles 39% Y-Y after it suffered a decline in its net profit in the last three quarters. In 3Q14, BJC reported net profit of just Bt271mn (-17.4% Q-Q, -49.3% Y-Y), the lowest in 22 quarters, after revenues of its three main businesses remained subdued. In the September quarter, healthcare business' net profit increased 11% Q-Q, but decreased 19% Y-Y, while packaging business' and consumer business' profit steadied Q-Q. Looking ahead, although we expect BJC's core earnings to recover Q-Q in 4Q14, it is unlikely to be robust. Initially, we predict BJC's 4Q14 net profit at around Bt400-450mn, below the company's normal quarterly net profit of Bt600mn. Given all these, we have cut our 2014E net profit by 37% to Bt1.6bn (-36% Y-Y), the lowest in five years.

Expect earnings recovery in 2015

We expect BJC's net profit to recover in 2015 thanks to a rise in purchase power and a decline in retail operators' inventory. According to BJC, the company has started to see a rise in purchase order in 4Q14, especially among high gross-margin products, e.g. Healthcare after hospitals are able to resume disbursement and non-food consumer products. Meanwhile, food items, e.g. snacks, remain sluggish owing to persistently fierce competition. In the next year, we predict that BJC will realize larger revenue and profit contribution from abroad. In 2012, revenue contribution from abroad accounted for just 11.9% of BJC's revenues. However, given the low base and its international business expansion, the company's revenues from abroad represent 23.3% of BJC's revenues in 9M14. We have decreased our 2015E net profit by 9% to Bt2.5bn (+64% Y-Y) thanks to a low base this year. In regard to the Metro deal, there is no additional progress after the shareholders' meeting has approved the acquisition and a 9:1 capital increase at Bt45 per share. BJC is now in a process to obtain a permit from the Vietnamese government. The company expects the process to complete and the capital hike to take place in mid-2015 at the earliest.



Source: SET

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Income Statement (Consolidated)					
(Bt m)	2011	2012	2013	2014E	2015E
Revenue	31,235	37,429	42,226	43,071	46,517
Cost of sales	23,519	28,402	32,131	33,251	35,585
Gross profit	7,715	9,027	10,095	9,820	10,931
SG&A costs	4,820	6,116	7,017	7,753	7,582
Operating profit	2,896	2,911	3,078	2,067	3,349
Other income	422	516	496	560	605
EBIT	3,318	3,427	3,574	2,627	3,954
EBITDA	4,978	5,178	5,597	4,775	6,226
Interest charge	366	503	575	598	688
Tax on income	672	605	567	406	653
Earnings after tax	2,280	2,320	2,433	1,623	2,613
Minority interests	-237.6	-80.5	-188.7	-150.7	-162.8
Normalized earnings	2,034	2,328	2,324	1,550	2,543
Extraordinary items	106	87	102	0	0
Net profit	2,140	2,415	2,426	1,550	2,543

Cash Flow Statement (Consolidated)					
(Bt m)	2011	2012	2013	2014E	2015E
Net Profit	2,140	2,415	2,426	1,550	2,543
Depreciation etc.	1,660	1,751	2,022	2,147	2,272
Change in working capital	-4,391	-856	234	-1,865	-670
Other adjustments	-75	-153	-167	-78	-93
Cash flow from operations	-666	3,157	4,515	1,755	4,052
Capital expenditure	-3,365	-4,096	-4,046	-2,500	-2,500
Others	-1,408	-327	-1,876	34	-165
Cash flow from investing	-4,773	-4,423	-5,922	-2,466	-2,665
Free cash flow	-5,439	-1,266	-1,407	-711	1,387
Net borrowings	6,278	2,153	2,182	-241	35
Equity capital raised	0	0	116	0	0
Dividends paid	-1,086	-1,260	-1,526	-837	-1,271
Others	852	562	399	505	45
Cash flow from financing	6,043	1,454	1,171	-573	-1,192
Net change in cash	604	188	-235	-1,285	196

Balance Sheet (Consolidated)					
(Bt m)	2011	2012	2013	2014E	2015E
Cash	1,828	2,015	1,780	495	691
Accounts receivable	6,322	7,998	9,000	9,204	9,941
Inventory	5,124	6,864	8,443	8,199	8,774
Other current assets	1,036	95	92	646	698
Total current assets	14,310	16,972	19,315	18,544	20,104
Investments	417	433	495	495	495
Plant, property & equipment	14,238	16,583	18,607	18,960	19,187
Other assets	3,961	4,272	6,086	6,052	6,217
Total assets	32,926	38,260	44,503	44,051	46,002
Short-term loans	2,631	4,065	3,861	3,548	3,632
Accounts payable	3,489	7,052	8,406	5,466	5,850
Current maturities	567	762	2,294	280	280
Other current liabilities	2,487	347	274	3,876	4,186
Total current liabilities	9,174	12,227	14,835	13,170	13,948
Long-term debt	7,912	8,344	10,521	10,241	9,961
Other non-current liab.	1,273	1,406	1,448	1,723	1,861
Total non-current liab.	9,185	9,750	11,969	11,963	11,821
Total liabilities	18,358	21,976	26,804	25,134	25,769
Registered capital	1,588	1,668	1,668	1,668	1,668
Paid up capital	1,588	1,588	1,590	1,590	1,590
Share premium	3,751	3,751	3,865	3,865	3,865
Legal reserve	335	246	254	254	254
Retained earnings	6,906	8,142	9,050	10,224	11,496
Minority Interests	1,987	2,556	2,939	2,983	3,028
Shareholders' equity	14,568	16,284	17,699	18,917	20,233

Important Ratios (Consolidated)					
	2011	2012	2013	2014E	2015E
Growth (%)					
Sales	19.8	19.8	12.8	2.0	8.0
EBITDA	13.1	4.0	8.1	-14.7	30.4
Net profit	12.3	12.8	0.5	-36.1	64.0
Normalized earnings	9.2	14.4	-0.2	-33.3	64.0
Profitability Ratios (%)					
Gross profit margin	24.7	24.1	23.9	22.8	23.5
EBITDA margin	15.9	13.8	13.3	11.1	13.4
EBIT margin	10.6	9.2	8.5	6.1	8.5
Normalized profit margin	6.5	6.2	5.5	3.6	5.5
Net profit margin	6.9	6.5	5.7	3.6	5.5
Normalized ROA	6.2	6.1	5.2	3.5	5.5
Normalize ROE	16.2	17.0	15.7	9.7	14.8
Normalized ROCE	14.0	13.2	12.0	8.5	12.3
Risk (x)					
D/E	1.5	1.6	1.8	1.6	1.5
Net D/E	1.3	1.5	1.7	1.5	1.5
Net debt/EBITDA	3.3	3.9	4.5	5.2	4.0
Per share data (Bt)					
EPS - Reported	1.35	1.52	1.53	0.97	1.60
EPS - Normalized	1.28	1.47	1.46	0.97	1.60
EBITDA	3.13	3.26	3.52	3.00	3.92
FCF	-3.42	-0.80	-0.88	-0.45	0.87
Book value	7.92	8.64	9.28	10.02	10.82
Dividend	0.73	0.84	0.84	0.53	0.80
Par	1.00	1.00	1.00	1.00	1.00
Valuations (x)					
P/E	31.4	27.8	27.7	43.3	26.4
P/E - Normalized	33.0	28.8	28.9	43.3	26.4
P/BV	5.3	4.9	4.6	4.2	3.9
EV/EBTDA	16.8	16.8	16.5	19.2	14.8
Dividend yield (%)	1.7	2.0	2.0	1.2	1.9

Source: Company data, FSS research

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Head Office

999/9 The offices at Central World
17th, 18th, 25th Fl.,
Rama 1 Rd., Patumwan,
Bangkok

Alma Link

9th, 14th, 15th Fl.,
Alma Link Building 25
Soi Chidlom, Ploenchit, Lumpini,
Patumwan, Bangkok

Amarin Tower

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

Thaisummit Tower

1768 Thaisammit Tower Building,
4nd, 31th Floor, New Petchburi
Road, Bangkapi, Huaykwang,
Bangkok

Pinklao 1

7/129-221 Central Pinklao Office
Building, Room 1404, 14th Fl.,
Baromratchonnane Road,
Arumamarin, Bangkoknoi, Bangkok

Bangkapi

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

Italthai Tower

2034/52 Italthai Tower,
11st Floor, Unit 11-07/01,
New Petchburi Road, Bangkapi,
Huaykwang, Bangkok

Bangna

1093 Tower 1 Office, 19th Floor,
Room 1093/105 Moo 12,
Bangna-Trad Road, Bangna,
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,
Lumpini, Pathumwan,
Bangkok

Sindhorn 3

135-132 Sindhorn Building 3,
19th Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Ladprao

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

Prachachuen

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

Rang sit

1/832 Phaholyothin 60
Kukod, Lumlookka
Pratumtanee

Thaisummit Tower

1768 Thaisammit Tower Building,
2nd Floor, New Petchburi Road,
Bangkapi, Huaykwang,
Bangkok

Rattanatibet

68/127 Moo 8 Rattanatibet Road,
Tumbon Banggrasor,
Aumphoe Muang,
Nonthaburi

Sriracha

135/99 (G fl.) Sukumvit Road,
Tumbon Sriracha
Aumphoe Sriracha, Chonburi

Khonkaen 1

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

Khonkaen 3

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

Udonthani

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

Chiangmai

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

Chiangmai 2

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

Chiangmai 3

Maliplace Building 32/4 moo 2
1 fl., B1-1, B1-2 room
Tumbon Maehia
Chiangmai

Chiangrai

353/15 Moo 4,
Tumbon Rimkok
Aumphoe Muang, Cheangrai

Measai

119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Nakornratchasima

1242/2 A3 room, 7 fl.,
The Mall Ratchasima
Mittraphap rood Tumbon Nai Muang
Aumphoe Muang Nakornratchasima
Nakornratchasima

Samutsakorn

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

Nakornpathom

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

Phuket

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

Hatyai 1

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

Krabi

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

Trang

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

Suratthani

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

Pattane

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

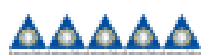
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Natapon	Khamthakreaou	Derivatives	0-2646-9820	natapon.k@fnsyrus.com

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 2014


BAF	EGCO	IRPC	KTB	PTTEP	SAT	SIM	TOP
BGP	GRAMMY	IVL	MINT	PTTGC	SC	SPALI	
BTS	HANA	KBANK	PSL	SAMART	SCB	TISCO	
CPN	INTUCH	KKP	PTT	SAMTEL	SE-ED	TMB	

Score Range

Rating
Description

100-90

Excellent

80-89

Very Good

70-79

Good

60-69

Satisfactory

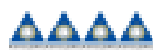
50-59

Pass

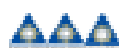
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no logo given

n/a



AAV	BAY	CFRESH	DTC	HMPRO	MACO	OCC	PR	SAMCO	SSI	TIP	TSTE
ACAP	BBY	CIMBT	EASTW	ICC	MC	OFM	PRANDA	SCC	SSSC	TIPCO	TSTH
ADVANC	BECL	CK	EE	KCE	MCOT	PAP	PS	SINGER	STA	TK	TTA
ANAN	BIGC	CNT	ERW	KSL	NBC	PE	PT	SIS	SVI	TKT	TTW
AOT	BKI	CPF	GBX	LANNA	NCH	PG	QH	SITHAI	TCAP	TNITY	TVO
ASIMAR	BLA	CSL	GC	LH	NINE	PHOL	RATCH	SNC	TF	TNL	UAC
ASK	BMCL	DELTA	GFPT	LHKBANK	NKI	PJW	ROBINS	SNP	THAI	TOG	VGI
ASP	BROOK	DRT	GUNKUL	LOXLEY	NMG	PM	RS	SPI	THANI	TRC	VNT
BANPU	CENDEL	DTAC	HEMRAJ	LPN	NSI	PPS	S&J	SSF	THCOM	TRUE	WACOAL



2S	BEC	DEMCO	IRCP	MOONG	PTG	SPC	TIC	UPOIC
AF	BFIT	DNA	ITD	MPG	QLT	SPCG	TICON	UT
AH	BH	EA	KBS	MTI	QTC	SPPT	TIW	UV
AHC	BJC	ESSO	KGI	NC	RCL	SST	TKS	UWC
AIT	BJCHI	FE	KKC	NTV	SABINA	STANLY	TLUXE	VIH
AJ	BOL	FORTH	KTC	NUSA	SALEE	STEC	TMI	WAVE
AKP	BTNC	FPI	L&E	NWR	SCBLIF	STPI	TMT	WHA
AKR	BWG	GENCO	LRH	NYT	SCCC	SUC	TNDT	WIN
AMANAH	CCET	GL	LST	OGC	SCG	SWC	TPC	WINNER
AMARIN	CGD	GLOBAL	MAJOR	OISHI	SEAFCO	SYMC	TPCORP	YUASA
AMATA	CGS	GLOW	MAKRO	PACE	SEAOIL	SYNEX	TRT	ZMICO
AP	CHOW	GOLD	MATCH	PATO	SFP	SYNTEC	TRU	
APCO	CI	HOTPOT	MBK	PB	SIAM	TASCO	TSC	
APCS	CKP	HTC	MBKET	PDI	SIRI	TBSP	TTCL	
AQUA	CM	HTECH	MEGA	PICO	SKR	TEAM	TUF	
ARIP	CMR	HYDRO	MFC	PPM	SMG	TFD	TVD	
AS	CSC	IFS	MFEC	PPP	SMK	TFI	TWFP	
ASIA	CSP	IHL	MJD	PREB	SMPC	THANA	UMI	
AYUD	CSS	INET	MODERN	PRG	SMT	THIP	UP	
BEAUTY	DCC	IRC	MONO	PRIN	SOLAR	THREL	UPF	

IOD (IOD Disclaimer)

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