

20 April 2015

Commerce

**BJC**

**Berli Jucker**

<b>Current</b>	Previous	Close	2015 TP	Exp Return	Support	Resistance	CGR 2014
<b>BUY</b>	HOLD	36.00	42.00	+ 16.7%	35.5 - 35	37.5 - 38.5	

Consolidated earnings				
BT (mn)	2013	2014	2015E	2016E
Normalized profit	2,324	1,760	2,310	2,685
Net profit	2,426	1,680	2,310	2,685
EPS (Bt)-Normalized	1.46	1.11	1.45	1.69
EPS (Bt)	1.53	1.06	1.45	1.69
% growth y-y	0.3	-30.8	37.5	16.2
Dividend (Bt)	0.84	0.60	0.73	0.84
BV/share (Bt)	9.28	9.56	10.77	11.37
EV/EBITDA (x)	14.70	16.17	13.52	12.45
PER (x) - Normalized	24.6	32.5	24.8	21.3
PER (x)	23.6	34.1	24.8	21.3
PBV (x)	3.9	3.8	3.3	3.2
Dividend yield (%)	2.3	1.7	2.0	2.3
YE no. of shares (mn)	1,590	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

**1Q15 net profit likely to be unexciting**

Last Friday, BJC's shareholders have resolved to reject Metro Vietnam deal. After which, TCC Holding, which is BJC's major shareholder, will enter into a purchase agreement instead. We view that this arrangement is positive to BJC. Not only the company does not have shoulder interest burden, loss from Metro Vietnam, dilution from a capital hike and penalty payment to the seller, it will also benefit from having Metro Vietnam within the group to help distribute its products into Vietnam. We stand by our 2015 TP at Bt42 (DCF). However, the stock has decreased to where it now implies wider upside of 16.7%. In addition, there is now no more risk from Metro Vietnam deal. Hence, we raise our rating on BJC to BUY from HOLD. In spite of the upgrade, the company's net profit is set to be dull, falling 10% Q-Q and 1.7% Y-Y in 1Q15, and will likely recover only in 2H15.

Share data	
Close (17/04/2015)	36.00
SET index	1,566.85
Foreign limit/actual (%)	49.00/7.60
Paid up shares (mn)	1,592.22
Free float (%)	26.23
Market cap (Bt mn)	57,319.96
Avg daily T/O (Bt mn) (2015 YTD)	21.54
hi, lo, avg (Bt) (2015 YTD)	42.25, 34.75, 38.47

Source: Setsmarts

**Expect 1Q15 net profit to remain dull**

Our forecasts call for BJC's 1Q15 net profit to amount to Bt507mn (-10% Q-Q, -1.7% Y-Y). In the big picture, such net profit is rather dull owing to domestic purchasing power that is yet to recover. In the January-March quarter, we expect revenues to only edge up 2% Y-Y, but fall 6% Q-Q owing to the commerce industry's high season in 4Q14. Gross margin is likely to widen to 24.2% (vs. 23.3% in 1Q14 and 21.8% in 4Q14) thanks to positive impact from the decline in raw material costs, i.e. fuel, glass, and potato. However, such gain is set to be offset by a rise in operating expenses (i.e. +4% Q-Q, +3.6% Y-Y). Given that, we predict that operating expenses-to-revenues ratio will increase to 17.5% (vs. 17.2% in 1Q14 and 15.8% in 4Q14). Note BJC has started to implement new accounting standards pertaining to investment in its subsidiaries and associates since January 1, 2015. To elaborate, the company will now treat operation of three companies within its group as associate (i.e. realization of profit/loss) rather than subsidiary (consolidation of financial statements). Given such change and the subsequent restatement, revenues will decrease by 8%-9%. Moreover, cost and expenses will also be lower. However, share of profit (or loss) from associates will increase and BJC's net profit will remain the same.

**Net profit likely recovers during rest of year**

Assuming in-line 1Q15 net profit, BJC achieves 22% of our 2015 estimates. Looking ahead, we expect the company's net profit to recover in 2Q15 thanks mainly to its packaging business. In this quarter, although we view that the company's consumer business has passed its trough, a recovery is likely to be limited. As for its healthcare business, we expect the unit to support BJC's operating performance in 2H15 when it is the government's disbursement period. However, the gain should be unexciting because we expect the government's slower-than-normal disbursement that took place last year to continue into this year. In 4Q15, we anticipate that BJC's net profit will reach the peak of this year thanks to the commerce industry's high season. We stand by our 2015E net profit at Bt2.3bn (+37.5% Y-Y). Such gain should be made possible by the low base last year when BJC booked expenses related to the closure of its Rat Burana plant.



Source: SET

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### Shareholders disapprove Metro Vietnam deal

Last Friday, the shareholders' meeting has resolved to reject an acquisition of Metro Vietnam with 89.23% of the minority shareholders voting against the deal. Note TCC Holding, which owns 73.69% and is a major shareholder of BJC, will buy Metro Vietnam instead. Given such arrangement, we view that it is positive to BJC. In addition to the fact that the company now no longer exposes to risks related to interest burden, loss from Metro Vietnam, dilution impact from a capital hike, and penalty payment to the seller, BJC would benefit from Metro Vietnam being within the group, which would expand its distribution channel in Vietnam. Moreover, Metro Vietnam would serve as a distribution center to B's Mart (a convenience store) and eventually help reduce B's Mart's loss. Although the Metro Vietnam deal is unsuccessful, we believe that BJC will continue with its inorganic growth strategy. Furthermore, it is possible that we will see M&A deals in the remaining of this year. However, they are unlikely to be very large and probably do not need any capital increase.

**Income Statement (Consolidated)**

(Bt mn)	2012	2013	2014	2015E	2016E
Revenue	37,429	42,226	43,423	47,765	52,541
Cost of sales	28,402	32,131	33,643	36,540	40,089
Gross profit	9,027	10,095	9,780	11,225	12,452
SG&A costs	6,116	7,017	7,626	8,024	8,669
Operating profit	2,911	3,078	2,154	3,200	3,625
Other income	516	496	683	478	525
EBIT	3,427	3,574	2,837	3,678	4,151
EBITDA	5,178	5,597	5,112	6,077	6,650
Interest charge	503	575	612	688	696
Tax on income	605	567	481	601	691
Earnings after tax	2,320	2,433	1,745	2,389	2,764
Minority interests	-80.5	-188.7	-176.5	-167.2	-183.9
Normalized earnings	2,328	2,324	1,760	2,310	2,685
Extraordinary items	87	102	(80)	0	0
Net profit	2,415	2,426	1,680	2,310	2,685

**Cash Flow Statement (Consolidated)**

(Bt mn)	2012	2013	2014	2015E	2016E
Net Profit	2,415	2,426	1,680	2,310	2,685
Depreciation etc.	1,751	2,022	2,274	2,399	2,499
Change in working capital	-856	234	1,844	-1,416	-915
Other adjustments	-153	-167	-94	-73	-105
Cash flow from operations	3,157	4,515	5,704	3,220	4,165
Capital expenditure	-4,096	-4,046	-3,404	-2,500	-2,000
Others	-327	-1,876	139	-76	-185
Cash flow from investing	-4,423	-5,922	-3,264	-2,576	-2,185
Free cash flow	-1,266	-1,407	2,440	644	1,980
Net borrowings	2,153	2,182	-1,629	-119	-3
Equity capital raised	0	116	89	0	0
Dividends paid	-1,260	-1,526	-1,216	-1,155	-1,342
Others	562	399	24	812	-462
Cash flow from financing	1,454	1,171	-2,731	-462	-1,808
Net change in cash	188	-235	-292	182	172

**Balance Sheet (Consolidated)**

(Bt mn)	2012	2013	2014	2015E	2016E
Cash	2,015	1,780	1,488	1,670	1,843
Accounts receivable	7,998	9,000	9,606	10,207	11,228
Inventory	6,864	8,443	7,856	8,509	9,336
Other current assets	95	92	51	48	53
Total current assets	16,972	19,315	19,002	20,435	22,459
Investments	433	495	533	533	533
Plant, property & equipment	16,583	18,607	19,736	19,837	19,337
Other assets	4,272	6,086	5,909	5,985	6,169
Total assets	38,260	44,503	45,179	46,789	48,498
Short-term loans	4,065	3,861	5,946	6,205	6,206
Accounts payable	7,052	8,406	8,025	9,010	9,885
Current maturities	762	2,294	4,208	3,000	3,000
Other current liabilities	347	274	563	621	683
Total current liabilities	12,227	14,835	18,742	18,836	19,774
Long-term debt	8,344	10,521	6,775	5,800	5,500
Other non-current liab.	1,406	1,448	1,387	1,911	2,102
Total non-current liab.	9,750	11,969	8,161	7,711	7,602
Total liabilities	21,976	26,804	26,904	26,546	27,376
Registered capital	1,668	1,668	2,014	2,014	2,014
Paid up capital	1,588	1,590	1,592	1,592	1,592
Share premium	3,751	3,865	3,952	3,952	3,952
Legal reserve	246	254	254	254	254
Retained earnings	8,142	9,050	9,409	11,330	12,273
Minority Interests	2,556	2,939	3,068	3,114	3,051
Shareholders' equity	16,284	17,699	18,276	20,242	21,123

**Important Ratios (Consolidated)**

	2012	2013	2014	2015E	2016E
<b>Growth (%)</b>					
Sales	19.8	12.8	2.8	10.0	10.0
EBITDA	4.0	8.1	-8.7	18.9	9.4
Net profit	12.8	0.5	-30.8	37.5	16.2
Normalized earnings	14.4	-0.2	-24.3	31.3	16.2
<b>Profitability Ratios (%)</b>					
Gross profit margin	24.1	23.9	22.5	23.5	23.7
EBITDA margin	13.8	13.3	11.8	12.7	12.7
EBIT margin	9.2	8.5	6.5	7.7	7.9
Normalized profit margin	6.2	5.5	4.1	4.8	5.1
Net profit margin	6.5	5.7	3.9	4.8	5.1
Normalized ROA	6.1	5.2	3.9	4.9	5.5
Normalize ROE	17.0	15.7	11.6	13.5	14.9
Normalized ROCE	13.2	12.0	10.7	13.2	14.5
<b>Risk (x)</b>					
D/E	1.6	1.8	1.8	1.5	1.5
Net D/E	1.5	1.7	1.7	1.5	1.4
Net debt/EBITDA	3.9	4.5	5.0	4.1	3.8
<b>Per share data (Bt)</b>					
EPS - Reported	1.52	1.53	1.06	1.45	1.69
EPS - Normalized	1.47	1.46	1.11	1.45	1.69
EBITDA	3.26	3.52	3.21	3.82	4.18
FCF	-0.80	-0.88	1.53	0.41	1.25
Book value	8.64	9.28	9.56	10.77	11.37
Dividend	0.84	0.84	0.60	0.73	0.84
Par	1.00	1.00	1.00	1.00	1.00
<b>Valuations (x)</b>					
P/E	23.7	23.6	34.1	24.8	21.3
P/E - Normalized	24.6	24.6	32.5	24.8	21.3
P/BV	4.2	3.9	3.8	3.3	3.2
EV/EBTDA	14.9	14.7	16.2	13.5	12.5
Dividend yield (%)	2.3	2.3	1.7	2.0	2.3

Source: Company data, FSS research

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Rama 1 Rd., Patumwan,  
Bangkok

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Alma Link Building 25  
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Patumwan, Bangkok

**Amarin Tower**

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20th Floor, Pleonchit,  
Lumpini, Pathumwan,  
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**Thaisummit Tower**

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

**Pinklao 1**

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**Italthai Tower**

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Huaykwang, Bangkok

**Bangna**

1093 Tower 1 Office, 19th Floor,  
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Bangkok

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Bangkok

**Sindhorn 2**

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Bangkok

**Sindhorn 3**

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Lumpini, Pathumwan,  
Bangkok

**Ladprao**

555 Rasa Tower 2, 11st Floor,  
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Chatuchak, Bangkok

**Prachachuen**

105/1 B Building, 4th Floor,  
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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**

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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

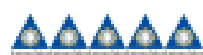
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Sunanta	Vasapinyokul	Banks/ Finance/ Securities	0-2646-9680	sunanta.v@fnsyrus.com
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Veeravat	Virochpoka	Health Care Services / Tourism & Leisure	0-2646-9821	veeravat.v@fnsyrus.com
Somchai	Anektaweepoon	Technical	0-2646-9967	somchai.a@fnsyrus.com
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**


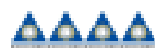
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BCP	GRAMMY	IVL	MINT	PTTGC	SC	SPALI	TOP
BTS	HANA	KBANK	PSL	SAMART	SCB	THCOM	
CPN	INTUCH	KKP	PTT	SAMTEL	SE-ED	TISCO	

**Score Range**

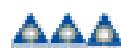
 100-90  
 80-89  
 70-79  
 60-69  
 50-59  
 <50

**Rating**

**Description**

 Excellent  
 Very Good  
 Good  
 Satisfactory  
 Pass  
 n/a


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



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	

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