

Berli Jucker

BJC TB / BJC.BK

8 June 2015

Hasn't looked this good in three years

Investment thesis

BJC looks more attractive than it has done at any time in the past three years. Its earnings should have bottomed out and we expect it to post strong profit growth YoY throughout the year on the back of robust aluminum can sales, margin expansion across all divisions and a low base effect. Its valuation is also the cheapest it has been in three years. The stock trades at a PER of 25.3x FY15 versus an average of 37.6x over past three years. Moreover, its equity overhang is no longer a concern as the deal to acquire Metro Vietnam has gone to TCC (BJC's parent company). We thus believe now is a good time to take position in BJC with our new YE15 target price of Bt42.

Improving growth profile

Two major factors to boost BJC profit in the short-to-medium term would be robust aluminum can sales and margin expansion across all businesses. Can sales (accounting for 20% of total sales) rose 23% YoY in 1Q15 and are likely to continue at this momentum throughout the year thanks to more orders from F&N in Thailand and Malaysia as well as from energy drink producers, which are experiencing robust export sales to the Cambodia, Laos, Myanmar and Vietnam (CLMV) sub-region countries. For glass packaging and consumer products, although sales would remain flat due to weak domestic consumption, we expect they will deliver stronger profit, driven by lower raw material and energy prices. Coupled with a low base effect, we expect BJC's earnings growth to accelerate from only 2% YoY in 1Q15 to 54% YoY in 2Q15 and 46% YoY in 2H15.

Vietnam operations will be long-term growth driver

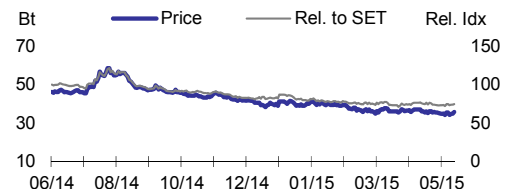
After BJC put on hold the expansion of B's Mart (its Vietnam convenience-store chain) for more than a year, the firm has decided to resume this push as it has fine-tuned its operations, merchandising and business model. There are 95 B's Mart outlets and BJC targets to add 20-50 stores by YE15. The rollout rate should remain at this level, so the business should report black ink in 5-6 years. In our view, B's Mart has huge potential to grow but profit realization seems a fair way off. Potential for a big jump from BJC's Vietnam operations in the short-to-medium term should thus come from TCC's Metro Vietnam acquisition. After that is completed (expected in 2016), BJC should have a big distribution channel for its products, while synergy building between Metro and BJC's Thai An and Thai Corp (its distributors in Vietnam) would be another profitability driver in the long term.

Earnings and target price upgrade

We have upgraded our FY15-16 earnings estimates by 12% and 16%, respectively, to factor in stronger-than-expected aluminum can sales momentum and the impact from lower raw material and energy prices. Our YE15 target price thus has been increased to Bt42 from Bt40.

Sector: Consumer/Retail Neutral
Rating: BUY
Target Price: Bt42.00
Price (5 June 2015); Bt35.75

Price chart

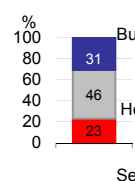


Share price perf. (%)	1M	3M	12M
Relative to SET	(1.3)	(2.0)	(25.6)
Absolute	(0.7)	(5.9)	(21.9)

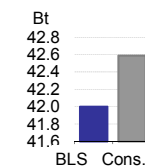
Key statistics

Market cap	Bt56.9bn	USD1.7bn
12-mth price range	Bt34.0/Bt60.5	
12-mth avg daily volume	Bt57m	USD1.7m
# of shares (m)	1,592	
Est. free float (%)	21.1	
Foreign limit (%)	49.0	

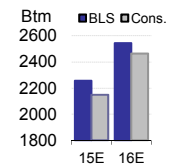
Consensus rating



BLS Target price vs. Consensus



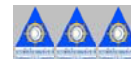
BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Revenues (Btm)	43,423	43,387	45,939	48,963
Net profit (Btm)	1,680	2,256	2,544	2,812
EPS (Bt)	1.05	1.41	1.59	1.75
EPS growth (%)	-30.8%	+33.9%	+12.5%	+10.4%
Core profit (Btm)	1,785	2,252	2,544	2,812
Core EPS (Bt)	1.12	1.41	1.59	1.75
Core EPS growth (%)	-23.3%	+25.8%	+12.7%	+10.4%
PER (x)	46.6	25.3	22.5	20.4
PBV (x)	4.3	2.9	2.7	2.5
Dividend (Bt)	0.6	0.8	0.9	1.0
Dividend yield (%)	1.2	2.2	2.4	2.7
ROE (%)	11.3	14.2	14.7	15.0

CG rating

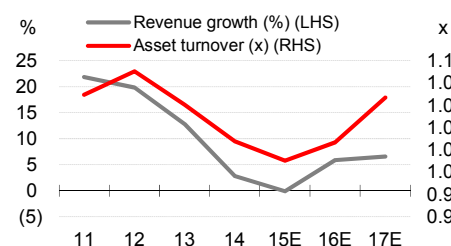


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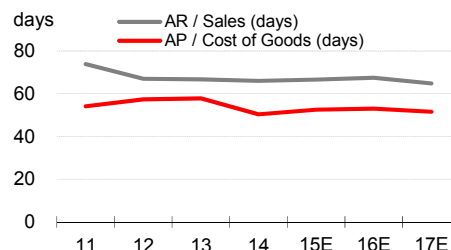
BJC : Financial Tables – Year

PROFIT & LOSS (Btm)	2013	2014	2015E	2016E	2017E
Revenue	42,226	43,423	43,387	45,939	48,963
Cost of sales and services	(32,131)	(33,643)	(32,842)	(34,752)	(37,076)
Gross profit	10,095	9,780	10,545	11,187	11,888
SG&A	(7,017)	(7,498)	(7,584)	(7,909)	(8,336)
EBIT	3,078	2,282	2,961	3,278	3,552
Finance costs	(575)	(612)	(519)	(566)	(559)
Other income/exp.	511	701	590	684	729
EBT	3,015	2,371	3,032	3,395	3,721
Corporate tax	(567)	(481)	(477)	(543)	(595)
After-tax net profit (loss)	2,448	1,890	2,555	2,852	3,126
Minority interest	(189)	(177)	(345)	(355)	(367)
Equity earnings from affiliates	65	72	42	47	53
Extra items	102	(106)	4	0	0
Net profit (loss)	2,426	1,680	2,256	2,544	2,812
Reported EPS	1.53	1.05	1.41	1.59	1.75
Fully diluted EPS	1.50	1.04	1.39	1.57	1.73
Core net profit	2,324	1,785	2,252	2,544	2,812
Core EPS	1.46	1.12	1.41	1.59	1.75
EBITDA	5,612	5,257	5,947	6,556	7,036
KEY RATIOS					
Revenue growth (%)	12.8	2.8	(0.1)	5.9	6.6
Gross margin (%)	23.9	22.5	24.3	24.4	24.3
EBITDA margin (%)	13.3	12.1	13.7	14.3	14.4
Operating margin (%)	8.5	6.9	8.2	8.6	8.7
Net margin (%)	5.7	3.9	5.2	5.5	5.7
Core profit margin (%)	5.5	4.1	5.2	5.5	5.7
ROA (%)	5.9	3.8	5.0	5.5	5.9
ROCE (%)	7.6	4.9	6.4	6.9	7.4
Asset turnover (x)	1.0	1.0	1.0	1.0	1.0
Current ratio (x)	1.3	1.0	1.2	1.3	1.4
Gearing ratio (x)	0.9	0.9	0.9	0.8	0.7
Interest coverage (x)	5.4	3.7	5.7	5.8	6.4
BALANCE SHEET (Btm)					
Cash & Equivalent	1,780	1,123	1,147	1,143	1,260
Accounts receivable	7,721	7,856	7,921	8,486	8,695
Inventory	8,443	7,410	7,865	8,113	8,740
PP&E-net	18,607	18,042	20,141	20,651	20,996
Other assets	7,951	9,000	8,912	8,725	8,545
Total assets	44,503	43,432	45,986	47,117	48,235
Accounts payable	5,094	4,647	4,726	5,053	5,236
ST debts & current portion	6,155	9,681	7,000	6,200	5,500
Long-term debt	10,521	6,551	10,000	10,000	10,000
Other liabilities	5,034	4,532	4,561	4,592	4,624
Total liabilities	26,804	25,411	26,287	25,844	25,359
Paid-up capital	1,590	1,592	1,597	1,601	1,603
Share premium	3,865	3,952	4,121	4,290	4,375
Retained earnings	9,765	10,229	11,561	12,785	14,118
Shareholders equity	14,760	15,097	16,602	17,999	19,419
Minority interests	2,939	2,924	3,096	3,274	3,457
Total Liab.&Shareholders' equity	44,503	43,432	45,986	47,117	48,235
CASH FLOW (Btm)					
Net income	2,426	1,680	2,256	2,544	2,812
Depreciation and amortization	2,022	2,274	2,396	2,595	2,756
Change in working capital	(1,137)	(179)	(441)	(486)	(653)
FX, non-cash adjustment & others	597	708	822	874	873
Cash flows from operating activities:	3,908	4,483	5,033	5,527	5,787
Capex (Invest)/Divest	(3,800)	(3,324)	(4,508)	(3,018)	(3,018)
Others	(1,067)	52	0	0	0
Cash flows from investing activities	(4,867)	(3,272)	(4,508)	(3,018)	(3,018)
Debt financing (repayment)	2,010	(340)	249	(1,366)	(1,259)
Equity financing	349	219	173	173	87
Dividend payment	(1,707)	(1,329)	(924)	(1,320)	(1,479)
Others	(1,067)	52	0	0	0
Cash flows from financing activities	651	(1,444)	(501)	(2,513)	(2,652)
Net change in cash	(307)	(232)	24	(4)	117
Free cash flow (Btm)	109	1,159	525	2,509	2,769
FCF per share (Bt)	0.1	0.7	0.3	1.6	1.7
Key Assumptions	2013	2014	2015E	2016E	2017E
Packaging sales growth	5.2%	-2.9%	1.6%	5.0%	5.0%
Consumer sales growth	40.4%	1.7%	0.5%	7.0%	10.0%
Healthcare/Technical sales growth	-1.0%	6.5%	-2.0%	7.4%	5.0%

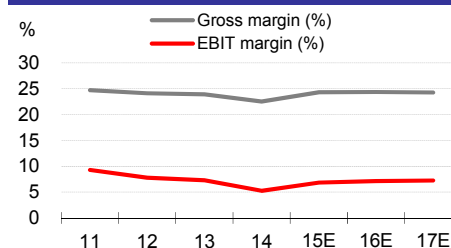
Revenue growth and asset turnover



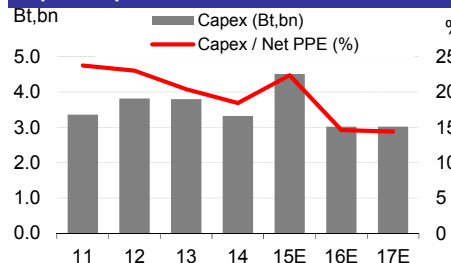
A/C receivable & A/C payable days



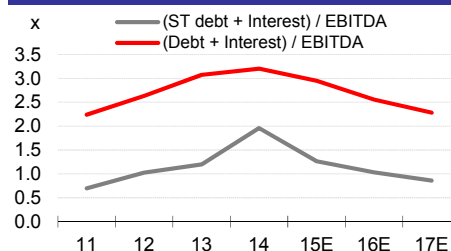
Profit margins



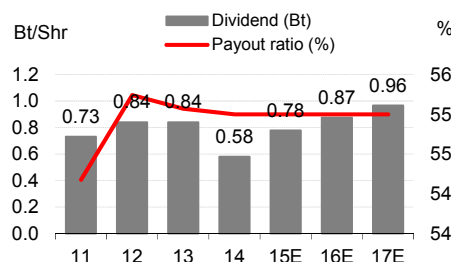
Capital expenditure



Debt serviceability



Dividend payout



BJC : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	1Q14	2Q14	3Q14	4Q14	1Q15
Revenue	10,200	10,665	10,452	12,105	10,493
Cost of sales and services	(7,858)	(8,299)	(8,064)	(9,422)	(7,963)
Gross profit	2,342	2,367	2,388	2,683	2,530
SG&A	(1,700)	(1,915)	(1,909)	(1,974)	(1,827)
EBIT	642	451	480	709	704
Finance costs	(136)	(150)	(143)	(183)	(131)
Other income/exp.	229	97	125	250	154
EBT	736	398	462	776	727
Corporate tax	(133)	(99)	(58)	(190)	(108)
After-tax net profit (loss)	603	298	403	586	618
Minority interest	(80)	(36)	(27)	(34)	(102)
Equity earnings from affiliates	32	20	17	3	9
Extra items	(38)	45	(123)	10	4
Net profit (loss)	516	328	271	564	529
Reported EPS	0.32	0.21	0.17	0.35	0.33
Fully diluted EPS	0.32	0.21	0.17	0.35	0.33
Core net profit	555	282	394	555	525
Core EPS	0.35	0.18	0.25	0.35	0.33
EBITDA	1,355	1,176	1,180	1,546	1,362

KEY RATIOS

Gross margin (%)	23.0	22.2	22.8	22.2	24.1
EBITDA margin (%)	13.3	11.0	11.3	12.8	13.0
Operating margin (%)	6.3	4.2	4.6	5.9	6.7
Net margin (%)	5.1	3.1	2.6	4.7	5.0
Core profit margin (%)	5.4	2.6	3.8	4.6	5.0
BV (Bt)	11.4	11.3	11.1	11.3	11.6
ROE (%)	13.8	8.7	7.3	15.2	13.8
ROA (%)	4.6	2.9	2.4	5.1	4.9
Current ratio (x)	1.3	1.3	1.0	1.0	1.0
Gearing ratio (x)	0.9	1.0	1.0	0.9	0.9
Interest coverage (x)	4.7	3.0	3.3	3.9	5.4

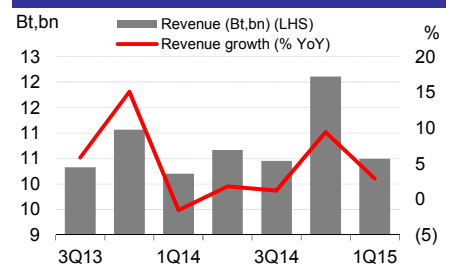
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,539	1,899	1,333	1,123	1,176
Accounts receivable	7,513	7,726	7,590	7,856	8,156
Inventory	8,187	7,662	7,714	7,410	7,261
PP&E-net	19,002	19,495	19,831	18,042	17,819
Other assets	8,118	8,137	7,962	9,000	9,070
Total assets	44,359	44,919	44,431	43,432	43,483
Accounts payable	4,248	3,864	4,148	4,647	4,362
ST debts & current portion	5,963	7,289	10,743	9,681	9,843
Long-term debt	10,786	10,629	6,882	6,551	6,081
Other liabilities	5,222	5,222	4,988	4,532	4,686
Total liabilities	26,220	27,004	26,761	25,411	24,971
Paid-up capital	1,590	1,591	1,592	1,592	1,592
Share premium	3,866	3,872	3,950	3,952	3,952
Retained earnings	10,251	9,951	9,665	10,229	10,758
Shareholders equity	15,204	14,942	14,694	15,097	15,549
Minority interests	2,936	2,973	2,975	2,924	2,963
Total Liab.&Shareholders' equity	44,359	44,919	44,430	43,432	43,483
Key Assumptions	1Q14	2Q14	3Q14	4Q14	1Q15
Packaging sales growth	-9.5%	-0.8%	5.0%	-5.2%	8.2%
Consumer sales growth	7.1%	1.8%	5.0%	-6.1%	1.2%
Healthcare/Technical sales growth	-5.5%	16.1%	3.7%	13.3%	-7.7%

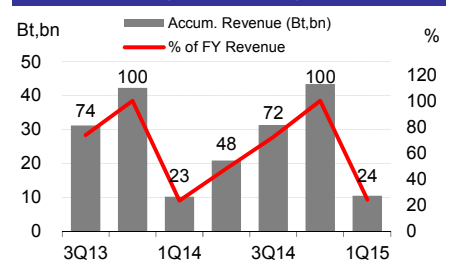
Company profile

Berli Jucker (BJC) is Thailand's leading consumer conglomerate and integrated supply chain operator, ranging from raw material development and manufacturing, to R&D, and marketing and distribution.

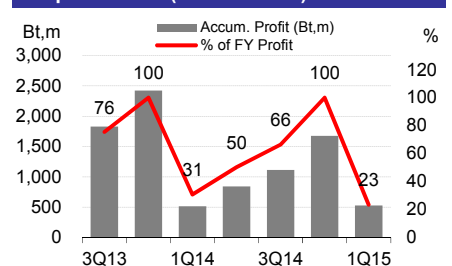
Revenue trend



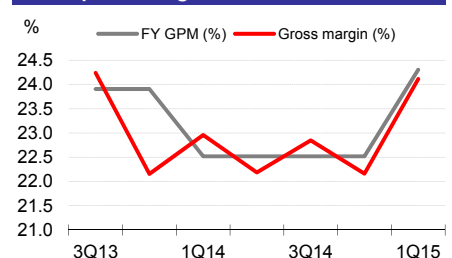
Revenue trend (accumulated)



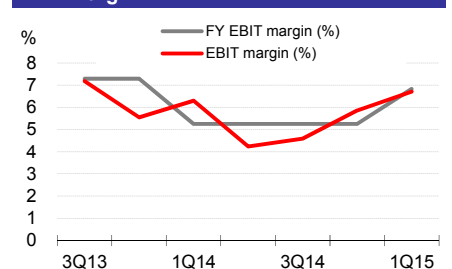
Net profit trend (accumulated)



Gross profit margin



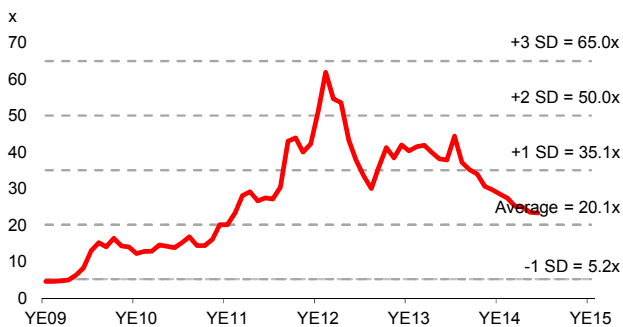
EBIT margin



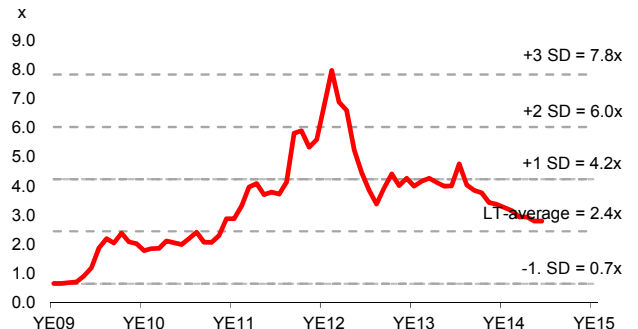
Regional Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)		EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)	
				2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E
Suning Appliance Co Ltd	002024 CH	CNY18.9	22,511	572.7	304.8	-72.5	87.9	4.8	4.7	1.2	1.6	0.0	0.0
Wumart Stores Inc	1025 HK	HKD5.7	947	12.9	12.4	n.a.	4.2	1.4	1.3	11.1	10.4	2.3	2.4
Parkson Retail Group	3368 HK	HKD1.9	676	15.7	13.6	n.a.	18.6	0.7	0.7	4.9	5.7	3.1	3.8
Nitori Hldg Co Ltd	9843 JT	JPY9,540.0	8,775	23.3	21.5	9.1	8.3	3.1	2.7	13.9	13.8	0.6	0.7
Lawson Inc	2651 JT	JPY8,560.0	6,901	22.6	20.5	15.5	10.8	3.1	3.0	14.3	15.2	2.9	3.0
Seven & I Holdings Co Ltd	3382 JT	JPY5,161.0	36,770	22.7	20.5	15.7	11.5	1.9	1.8	8.6	9.2	1.5	1.7
Family Mart	8028 JP	JPY5,410.0	4,247	23.6	21.0	-15.1	12.2	1.8	1.7	7.9	8.5	2.0	2.1
President Chain Store Corp	2912 TT	TWD213.0	7,141	24.5	22.0	-0.4	11.4	7.7	7.0	31.1	32.3	3.3	3.5
Capitaland Limited	CAPL SP	SGD3.4	10,853	20.3	17.8	-13.6	15.7	0.8	0.8	4.8	5.4	2.5	2.6
SM Prime Holdings Inc.	SMPH PM	PHP19.5	12,535	25.0	22.5	18.2	11.0	2.6	2.4	11.1	11.5	1.2	1.4
Home Depot	HD US	USD111.5	144,784	21.2	18.5	11.6	13.7	16.2	18.4	83.0	129.7	2.1	2.4
Costco whole sale corp	COST US	USD140.7	61,814	26.9	24.8	12.6	7.2	5.4	4.7	19.4	20.4	3.1	1.2
Carrefour	CA FP	EUR30.7	25,255	17.8	15.7	-1.4	12.8	2.2	2.0	12.6	13.4	2.5	2.9
Home Product Center	HMPRO TB	THB6.65	2,592	23.3	19.2	7.2	21.1	5.0	4.3	21.2	22.5	1.8	2.1
Big C Supercenter	BIGC TB	THB197.00	4,816	20.9	18.8	8.5	11.1	3.4	3.0	17.5	17.1	1.4	1.6
Beauty Community	BEAUTY TB	THB4.02	357	31.7	25.2	28.0	25.8	-27.4	-57.6	120.4	n.m.	2.0	2.6
Karmarts	KAMART TB	THB5.90	115	23.0	20.4	5.6	12.6	5.7	5.8	24.9	28.5	4.7	5.3
Berli Jucker	BJC TB	THB35.00	1,651	25.7	22.8	34.3	12.8	2.9	2.7	14.2	14.7	2.2	2.4
C.P. All	CPALL TB	THB46.25	12,312	29.3	22.6	38.8	29.6	9.8	7.9	41.2	42.7	2.0	2.2
Central Pattana	CPN TB	THB43.50	5,785	24.0	19.2	14.0	24.9	4.2	3.7	19.1	20.8	1.7	2.1
DSG International (Thailand)	DSGT TB	THB6.70	250	16.5	14.2	16.1	16.2	3.0	2.7	19.3	20.2	3.0	3.5
Siam Global House	GLOBAL TB	THB8.40	867	38.6	31.3	12.0	23.1	1.8	1.7	39.8	40.2	1.3	1.6
Robinson Department Store	ROBINS TB	THB46.00	1,514	22.3	17.9	18.8	24.7	3.5	3.1	17.7	19.8	2.3	2.8
Siam Future Development	SF TB	THB6.05	319	11.9	10.2	6.8	16.7	1.3	1.1	12.3	12.5	0.2	0.2
COL	COL TB	THB54.00	512	38.7	27.5	2.7	40.5	3.4	3.2	9.1	12.0	1.0	1.5
Siam Makro	MAKRO TB	THB40.50	5,761	33.3	27.1	19.6	22.8	13.5	11.7	42.9	46.2	2.3	2.8
Simple average				44.9	31.2	8.0	19.5	3.2	1.7	24.0	23.0	2.0	2.2

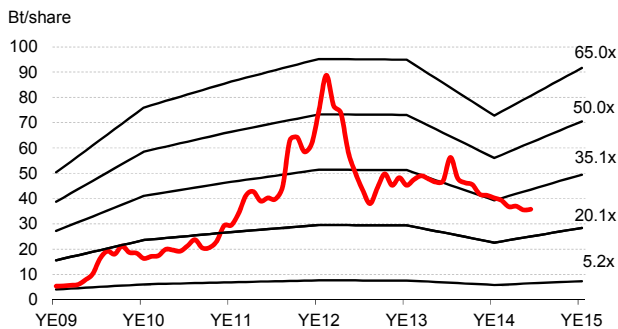
PER band versus SD (next 12 months)



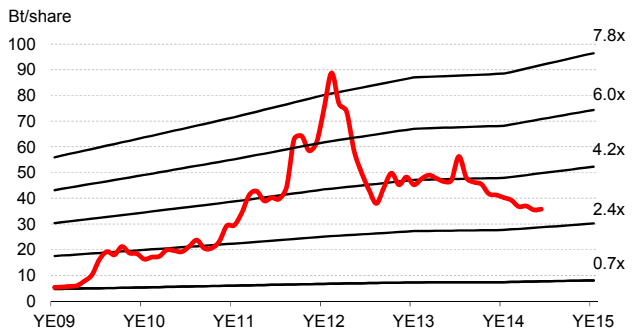
PBV band versus SD (next 12 months)



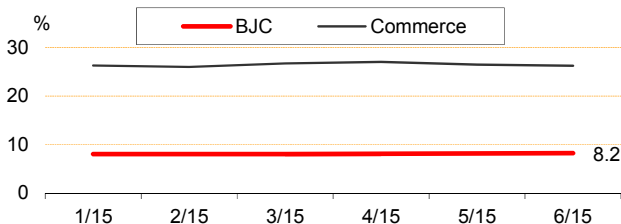
PER band and share price



PBV band and share price



Foreign holding




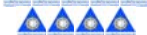



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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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- BUY:** Expected positive total returns of 15% or more over the next 12 months.
- HOLD:** Expected total returns of between -15% and +15% over the next 12 months.
- SELL:** Expected negative total returns of 15% or more over the next 12 months.
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SECTOR RECOMMENDATIONS

- OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
- NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
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