

Berli Jucker

BJC TB / BJC.BK

28 August 2015

Improving growth at a bargain price

Investment thesis

We remain positive on BJC after an analyst meeting yesterday. In the short term, BJC's share price should be supported by robust earnings growth in 2H15 on the back of improving performance in its packaging and consumer businesses as well as a low base set, while the plan to build its business empire in Vietnam, Cambodia and Laos should sustain growth in the longer term. BJC is now trading at a PER of 19.5x FY15, the lowest in four years. We maintain our BUY rating on BJC with a YE15 target price of Bt42.

Packaging Supply Chain will continue to boost profit in 2H15

Profit at its Packaging Supply Chain (PSP) rose 38% YoY to Bt814m in 1H15 spurred by the 16% YoY increase in aluminum can sales and lower energy and raw material costs. Glass Packaging failed to contribute growth due to soft domestic demand, fewer orders during a change in the design of *Chang* beer bottles, and a 45-day maintenance shutdown of a furnace in 2Q15, but it is expected to contribute greater profit in 2H15 thanks to orders of new Chang bottles and absence of a maintenance shutdown. Coupled with robust demand for aluminum cans in both Thailand and Vietnam, as well as continued low energy and raw material costs, PSP profit in 2H15 should be stronger both YoY and HoH.

Loss from Danone is reducing

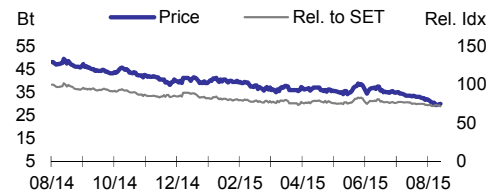
After BJC has full control of Thai Dairy (formerly BJC Danone Dairy) by increasing its stake to 100% from 51%, it could substantially cut the costs and reduce the loss to only Bt5m/month from Bt40m/month. This boost should be fully realized in the performance of its Consumer Supply Chain in 2H15. After the takeover, BJC has the right to use the *Danone* brand for one year. Then, it may extend the right for a fee or build a new own brand or manufacture products under F&N brands. Building a new own brand is our least preferred option as it would be very costly. Note that BJC booked gain of Bt343m from acquiring Thai Dairy below fair value in 2Q15.

Growing bigger in Vietnam

Sales in Vietnam currently account for 16% of total sales and the contribution may increase to more than 50% within the next couple years. Although the deal to acquire Metro Vietnam (MV) has passed to TCC (its parent company), TCC will hire BJC to manage MV once the deal is complete, which is expected in 2016. Moreover, BJC also gets a sweet deal from its parent. If BJC could turn around MV to profit and wants to own it, BJC has the option to buy MV from TCC at a very attractive price, probably at TCC's acquisition price plus carrying costs. Furthermore, besides operating its retail business, BJC also plans to build a supply chain network (mostly through acquisitions of manufacturers and vendors) in order to supply goods to MV and its convenience store chain, *B's Mart*.

Sector: Consumer/Retail Neutral
Rating: BUY
Target Price: Bt42.00
Price (27 August 2015): Bt30.00

Price chart

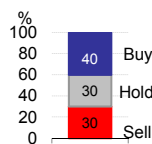


Share price perf. (%)	1M	3M	12M
Relative to SET	(9.5)	(6.0)	(32.3)
Absolute	(13.0)	(15.5)	(45.5)

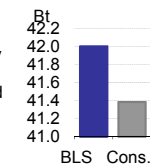
Key statistics

Market cap	Bt47.8bn	USD1.3bn
12-mth price range	Bt28.8/Bt50.0	
12-mth avg daily volume	Bt28m	USD0.8m
# of shares (m)	1,592	
Est. free float (%)	21.1	
Foreign limit (%)	49.0	

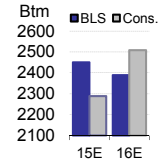
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Revenues (Btm)	43,423	43,281	45,920	48,922
Net profit (Btm)	1,680	2,451	2,389	2,660
EPS (Bt)	1.05	1.53	1.49	1.66
EPS growth (%)	-30.8%	+45.5%	-2.8%	+11.2%
Core profit (Btm)	1,808	2,108	2,389	2,660
Core EPS (Bt)	1.14	1.32	1.49	1.66
Core EPS growth (%)	-25.6%	+16.3%	+13.1%	+11.2%
PER (x)	46.6	19.5	20.1	18.1
PBV (x)	3.1	1.7	1.6	1.5
Dividend (Bt)	0.6	0.8	0.8	0.9
Dividend yield (%)	1.2	2.8	2.7	3.0
ROE (%)	17.2	22.8	19.9	20.3

CG rating



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BJC: Financial Tables – Year

PROFIT & LOSS (Btm)	2013	2014	2015E	2016E	2017E
Revenue	42,226	43,423	43,281	45,920	48,922
Cost of sales and services	(32,030)	(33,621)	(32,881)	(34,885)	(37,178)
Gross profit	10,197	9,802	10,400	11,035	11,744
SG&A	(7,017)	(7,498)	(7,522)	(7,856)	(8,276)
EBIT	3,180	2,304	2,878	3,179	3,468
Finance costs	(575)	(612)	(502)	(529)	(532)
Other income/exp.	511	701	624	702	747
EBT	3,116	2,393	3,001	3,352	3,684
Corporate tax	(567)	(481)	(444)	(503)	(553)
After-tax net profit (loss)	2,550	1,912	2,557	2,849	3,131
Minority interest	(189)	(177)	(480)	(495)	(511)
Equity earnings from affiliates	65	72	31	35	39
Extra items	0	(128)	343	0	0
Net profit (loss)	2,426	1,680	2,451	2,389	2,660
Reported EPS	1.53	1.05	1.53	1.49	1.66
Fully diluted EPS	1.50	1.04	1.51	1.47	1.64
Core net profit	2,426	1,808	2,108	2,389	2,660
Core EPS	1.53	1.14	1.32	1.49	1.66
EBITDA	5,714	5,280	5,899	6,475	6,971

KEY RATIOS

Revenue growth (%)	12.8	2.8	(0.3)	6.1	6.5
Gross margin (%)	24.1	22.6	24.0	24.0	24.0
EBITDA margin (%)	13.5	12.2	13.6	14.1	14.2
Operating margin (%)	8.7	6.9	8.1	8.5	8.6
Net margin (%)	5.7	3.9	5.7	5.2	5.4
Core profit margin (%)	5.7	4.2	4.9	5.2	5.4
ROA (%)	5.9	3.8	5.5	5.1	5.6
ROCE (%)	6.3	4.1	5.7	5.2	5.6
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)	0.7	0.6	0.6	0.5	0.5
Interest coverage (x)	5.5	3.8	5.7	6.0	6.5

BALANCE SHEET (Btm)

Cash & Equivalent	1,780	1,123	1,026	1,625	1,632
Accounts receivable	7,721	7,856	7,882	8,517	8,648
Inventory	8,443	7,410	7,883	8,156	8,743
PP&E-net	18,607	18,042	20,141	20,651	20,996
Other assets	7,951	9,000	8,833	8,565	8,298
Total assets	44,503	43,432	45,765	47,514	48,318
Accounts payable	5,094	4,647	4,743	5,079	5,244
ST debts & current portion	6,155	9,681	6,500	6,500	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	25,805	26,171	25,368
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	0	0	0	0	0
Shareholders equity	9,511	9,975	11,502	12,463	13,729
Minority interests	14,760	15,097	16,797	17,932	19,284
Total Liab.&Shareholders' equity	51,075	50,483	54,103	56,566	58,380

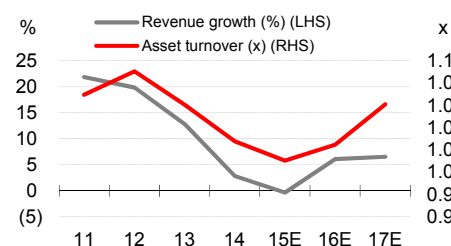
CASH FLOW (Btm)

Net income	2,426	1,680	2,451	2,389	2,660
Depreciation and amortization	2,022	2,274	2,396	2,595	2,756
Change in working capital	(1,137)	(179)	(403)	(572)	(554)
FX, non-cash adjustment & others	597	708	951	989	1,003
Cash flows from operating activities:	3,908	4,483	5,394	5,400	5,865
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)	(234)	(529)	(1,532)
Equity financing	349	219	173	173	87
Dividend payment	(1,707)	(1,329)	(924)	(1,428)	(1,394)
Others	(1,067)	52	0	0	0
Cash flows from financing activities	651	(1,444)	(984)	(1,783)	(2,839)
Net change in cash	(307)	(232)	(98)	599	8
Free cash flow (Btm)	109	1,159	886	2,382	2,847
FCF per share (Bt)	0.1	0.7	0.6	1.5	1.8

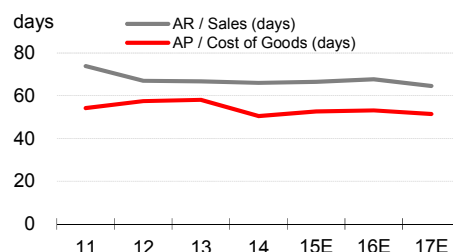
Key Assumptions

	2013	2014	2015E	2016E	2017E
Packaging sales growth	5.2%	-4.7%	3.5%	5.0%	5.0%
Consumer sales growth	40.4%	0.0%	0.9%	7.0%	10.0%
Healthcare/Technical sales growth	-1.0%	6.5%	-2.7%	8.2%	5.0%

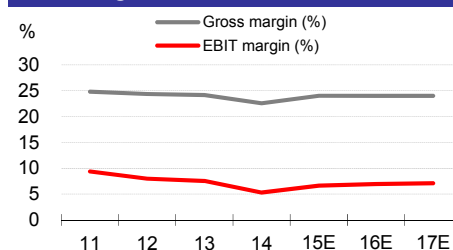
Revenue growth and asset turnover



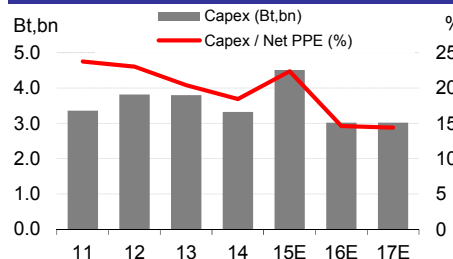
A/C receivable & A/C payable days



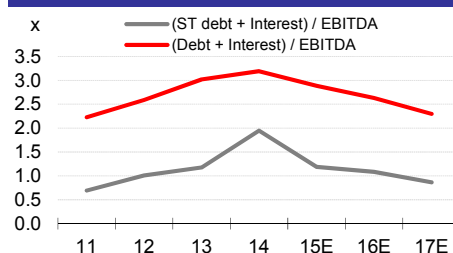
Profit margins



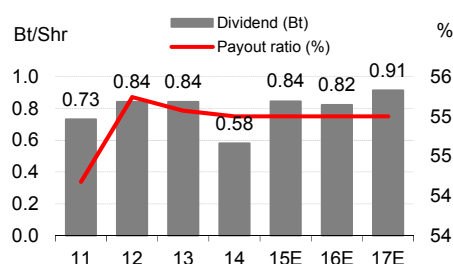
Capital expenditure



Debt serviceability



Dividend payout



BJC: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	2Q14	3Q14	4Q14	1Q15	2Q15
Revenue	10,318	10,452	12,453	10,493	10,241
Cost of sales and services	(7,999)	(8,058)	(9,668)	(7,959)	(7,825)
Gross profit	2,319	2,394	2,785	2,534	2,416
SG&A	(1,737)	(1,909)	(2,153)	(1,827)	(1,811)
EBIT	582	485	632	707	605
Finance costs	(135)	(143)	(199)	(131)	(128)
Other income/exp.	89	125	257	154	131
EBT	537	467	691	730	608
Corporate tax	(94)	(58)	(195)	(108)	(86)
After-tax net profit (loss)	443	409	496	622	521
Minority interest	(89)	(27)	20	(102)	(124)
Equity earnings from affiliates	(26)	17	49	9	4
Extra items	0	(128)	0	0	343
Net profit (loss)	328	271	564	529	744
Reported EPS	0.21	0.17	0.35	0.33	0.47
Fully diluted EPS	0.21	0.17	0.35	0.33	0.47
Core net profit	328	399	564	529	401
Core EPS	0.21	0.25	0.35	0.33	0.25
EBITDA	1,300	1,185	1,477	1,366	1,250

KEY RATIOS

Gross margin (%)	22.5	22.9	22.4	24.2	23.6
EBITDA margin (%)	12.6	11.3	11.9	13.0	12.2
Operating margin (%)	5.6	4.6	5.1	6.7	5.9
Net margin (%)	3.2	2.6	4.5	5.0	7.3
Core profit margin (%)	3.2	3.8	4.5	5.0	3.9
BV (Bt)	15.5	15.1	15.7	16.4	16.9
ROE (%)	13.3	11.3	23.3	20.7	27.9
ROA (%)	2.9	2.4	5.1	4.9	6.8
Current ratio (x)	1.3	1.0	1.0	1.0	0.9
Gearing ratio (x)	0.7	0.7	0.6	0.6	0.6
Interest coverage (x)	4.3	3.4	3.2	5.4	4.7

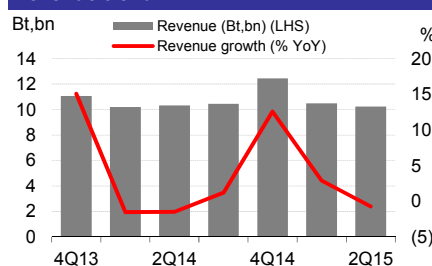
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,899	1,333	1,123	1,176	1,133
Accounts receivable	7,726	7,590	7,856	8,156	7,922
Inventory	7,662	7,714	7,410	7,261	7,321
PP&E-net	19,495	19,831	18,042	17,819	18,411
Other assets	8,137	7,962	9,000	9,070	9,021
Total assets	44,919	44,431	43,432	43,483	43,808
Accounts payable	3,864	4,148	4,647	4,362	4,316
ST debts & current portion	7,289	10,743	9,681	9,843	11,112
Long-term debt	10,629	6,882	6,551	6,081	4,527
Other liabilities	5,222	4,988	4,532	4,686	4,673
Total liabilities	27,004	26,761	25,411	24,971	24,628
Paid-up capital	1,591	1,592	1,592	1,592	1,592
Share premium	3,872	3,950	3,952	3,952	3,952
Retained earnings	0	0	0	0	0
Shareholders equity	9,697	9,411	9,975	10,504	10,816
Minority interests	14,942	14,694	15,097	15,549	16,100
Total Liab.&Shareholders' equity	51,643	50,866	50,483	51,024	51,544
Key Assumptions	2Q14	3Q14	4Q14	1Q15	2Q15
Packaging sales growth	-8.0%	5.0%	-5.2%	8.2%	1.0%
Consumer sales growth	-4.6%	5.0%	-6.1%	1.2%	0.6%
Healthcare/Technical sales growth	16.1%	3.7%	13.3%	-7.7%	-15.4%

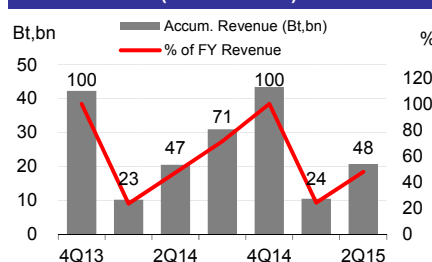
Company profile

Berli Jucker Public Company Limited (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.

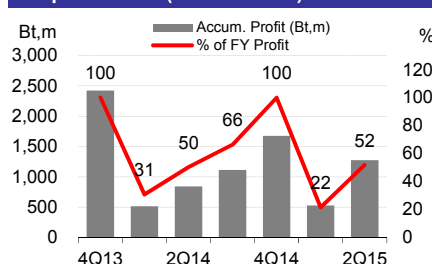
Revenue trend



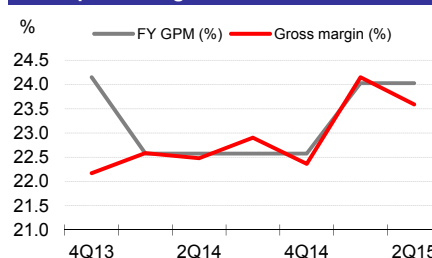
Revenue trend (accumulated)



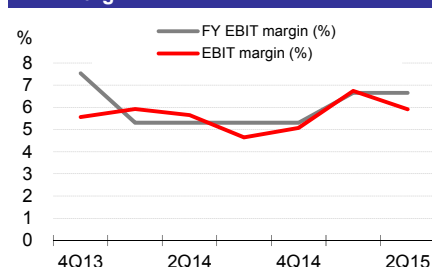
Net profit trend (accumulated)



Gross profit margin



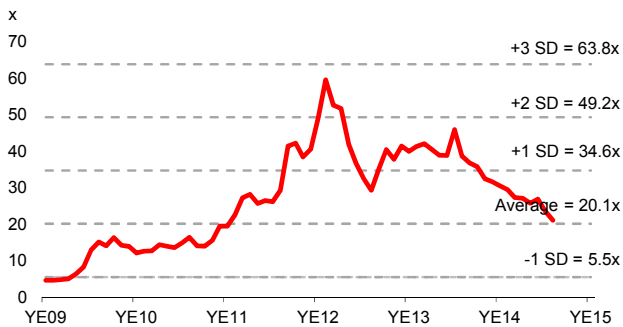
EBIT margin



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	CNY14.1	16,209	286.9	230.5	-59.2	24.5	3.7	3.2	1.4	1.9	0.0	0.0
Wumart Stores Inc	1025 HK	HKD4.2	694	10.2	9.6	n.a.	6.5	1.1	1.0	10.6	10.3	3.2	3.4
Parkson Retail Group	3368 HK	HKD1.1	391	12.9	10.5	n.a.	27.5	0.4	0.4	3.8	3.9	4.6	5.5
Nitori Hldg Co Ltd	9843 JT	JPY9,810.0	9,270	23.8	21.9	9.8	8.8	3.1	2.8	14.1	14.0	0.6	0.7
Lawson Inc	2651 JT	JPY8,400.0	6,957	22.9	20.5	11.5	12.0	3.1	3.0	13.9	14.7	2.9	3.0
Seven & I Holdings Co Ltd	3382 JT	JPY5,236.0	38,324	23.2	20.7	15.8	12.0	1.9	1.8	8.5	9.1	1.5	1.7
Family Mart	8028 JP	JPY5,430.0	4,380	23.5	20.9	-14.9	12.6	1.8	1.7	7.9	8.4	2.0	2.1
President Chain Store Corp	2912 TT	TWD203.0	6,538	24.1	21.4	-3.7	12.4	7.3	6.8	31.1	32.3	3.4	3.6
Capitaland Limited	CAPL SP	SGD2.9	8,935	18.5	16.4	-25.3	15.2	0.7	0.7	4.4	4.8	3.0	3.1
SM Prime Holdings Inc.	SMPH PM	PHP19.5	12,059	24.4	22.3	20.6	9.3	2.6	2.4	11.1	11.3	1.3	1.4
Home Depot	HD US	USD117.7	151,088	22.0	19.1	13.0	14.8	20.0	23.6	81.4	127.0	1.9	2.2
Costco whole sale corp	COST US	USD140.2	61,621	26.9	24.8	12.4	6.7	5.4	4.7	19.6	20.0	1.1	1.2
Carrefour	CA FP	EUR29.2	24,250	17.2	15.2	-2.4	12.9	2.0	1.9	12.3	13.2	2.6	2.9
Home Product Center	HMPRO TB	THB7.15	2,637	24.9	20.6	6.9	21.2	5.3	4.6	21.2	22.5	1.7	2.0
Big C Supercenter	BIGC TB	THB188.00	4,349	20.1	18.2	6.9	10.0	3.3	2.9	17.3	16.8	1.5	1.6
Beauty Community	BEAUTY TB	THB4.42	372	33.3	26.2	32.3	26.8	10.2	8.6	33.5	35.7	2.0	2.5
Karmarts	KAMART TB	THB6.25	116	23.9	21.3	5.6	12.6	5.9	6.0	24.9	28.5	4.5	5.1
Berli Jucker	BJC TB	THB30.00	1,339	19.9	20.4	45.9	-2.5	1.7	1.6	22.8	19.9	2.8	2.7
C.P. All	CPALL TB	THB49.25	12,405	33.2	26.8	31.4	23.8	10.7	8.9	39.4	40.1	1.8	2.0
Central Pattana	CPN TB	THB43.50	5,474	23.6	18.8	13.3	25.7	4.1	3.6	18.9	20.8	1.7	2.1
DSG International (Thailand)	DSGT TB	THB5.10	180	16.0	14.7	-8.2	8.7	2.4	2.2	15.4	15.4	3.1	3.4
Siam Global House	GLOBAL TB	THB10.00	977	38.4	30.0	29.2	28.2	2.0	1.9	44.6	44.8	1.3	1.7
Robinson Department Store	ROBINS TB	THB39.50	1,230	19.9	16.9	14.3	18.0	3.0	2.7	17.1	18.3	2.6	3.0
Siam Future Development	SF TB	THB5.50	274	10.9	9.3	6.8	16.7	1.2	1.0	12.3	12.5	0.3	0.3
COL	COL TB	THB40.75	366	34.5	23.2	-13.9	48.5	2.6	2.4	7.7	10.8	1.2	1.7
The Platinum Group	PLAT TB	THB5.10	400	24.4	22.5	0.0	8.6	1.7	1.6	10.7	7.5	1.6	1.8
Siam Makro	MAKRO TB	THB39.00	5,249	33.5	28.6	14.4	17.2	13.4	11.9	41.8	44.2	2.4	2.9
Simple average				33.1	27.8	6.5	16.3	4.5	4.2	20.3	22.5	2.1	2.4

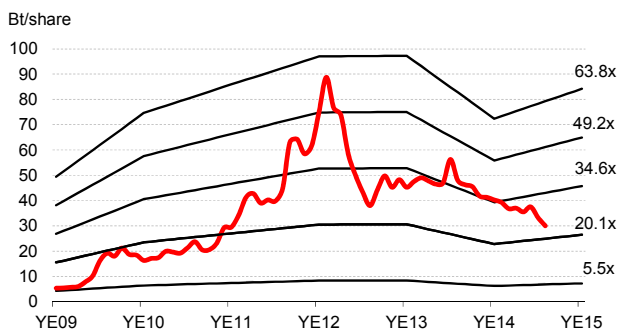
PER band versus SD (next 12 months)



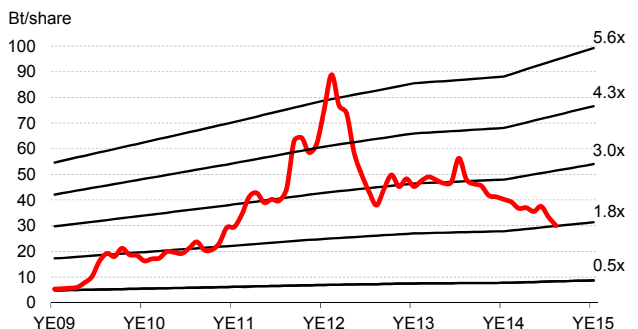
PBV band versus SD (next 12 months)



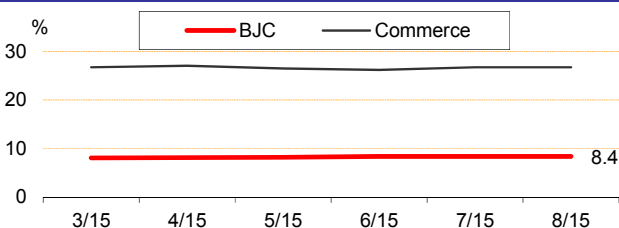
PER band and share price



PBV band and share price



Foreign holdings








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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
	COM7, TFG

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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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

- 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.
- TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

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.
- UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.