

Berli Jucker

BJC TB / BJC.BK

23 November 2015

Doubts over mid-term growth package

Investment thesis

We believe BJC's strong earnings growth in 2H15 has already been priced in with the recent share-price rally. BJC currently trades on core PERs of 28.7x FY15 and 25.9x FY16. Although its multiples are still in line with peer average, its growth profile is much lower (three-year EPS CAGR of 8.3% versus peer average of 18.3%). Moreover, we expect its EPS growth will enter a decelerating trend from FY16, while that of its consumer peers are improving. However, we think it is too early to take profit on the stock as we expect robust earnings growth performance in 4Q15 should continue to support the share price. Our HOLD rating stands.

Strong earnings growth period is passing

Since 2Q15, cheaper raw material and energy costs have played a major role in fueling BJC's earnings growth. Its core earnings rose 22% YoY in 2Q15, while the windfall from a change in the design of Chang Beer bottles accelerated that growth further to 27% YoY in 3Q15. This growth momentum should continue into 4Q15 as these factors will continue to play out. However, the growth is likely to decelerate to single digit next year as we don't expect raw material and energy costs to go lower. The volume growth in its Packaging business should be limited due to its full utilization rate, while a recovery in its Consumer business would fail to offer much help as it contributes only around 20% to the bottom line.

Long-term growth would come from CLMV

In the past five years, BJC has focused on expanding its businesses in CLMV countries. The proportion of international sales rose from only 4.6% in 2009 to 20.1% for 9M15. But, profit contribution has still been small given that the major input comes from its distribution business, which has a very slim margin. In our view, profit contribution should be more considerable after success in expanding its retail business in the CLMV sub-region.

Update on retail business in sub-region

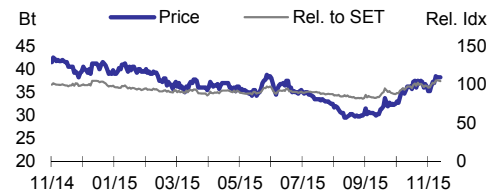
Management said the acquisition of Metro Vietnam (MV) by TCC (BJC's parent company) should be completed in late 4Q15 to early 1Q16. TCC, will then hire BJC to manage MV. If BJC finds successfully turns around MV (which should take at least a couple years) and wants to own it, BJC has an option to buy MV from TCC at the TCC's total costs.

BJC plans to accelerate its rollout rate of *B's Marts*, its CVS chain in Vietnam. Currently, there are 106 *B's Mart* shops in Ho Chi Minh City and BJC targets to have 120 outlets by YE15 and 200 stores by YE16. After that, it would open 100 new outlets a year. If the firm can achieve the target, *B's Mart* should start to report black ink in next couple years.

BJC is a franchisor of *M-Point Mart* (MPM), the largest CVS chain in Laos. MPM currently has 22 stores and aims to open 50 new outlets next year. Note that BJC is without ownership in MPM due to regulation, but it plans to have some stake in MPM once regulations change after AEC.

Sector: Consumer/Retail – OVERWEIGHT
Rating: HOLD
Target Price: Bt36.50
Price (20 November 2015): Bt38.25

Price chart

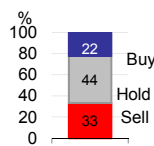


Share price perf. (%)	1M	3M	12M
Relative to SET	17.5	18.4	0.2
Absolute	15.9	20.5	(11.6)

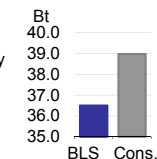
Key statistics

Market cap	Bt60.9bn	USD1.7bn
12-mth price range	Bt28.8/Bt43.0	
12-mth avg daily volume	Bt23m	USD0.7m
# of shares (m)	1,592	
Est. free float (%)	21.1	
Foreign limit (%)	49.0	

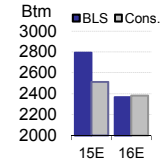
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Revenues (Btm)	43,423	43,130	45,655	47,793
Net profit (Btm)	1,680	2,792	2,367	2,525
EPS (Bt)	1.05	1.75	1.48	1.58
EPS growth (%)	-30.8%	+65.8%	-15.5%	+6.5%
Core profit (Btm)	1,808	2,129	2,367	2,525
Core EPS (Bt)	1.14	1.33	1.48	1.58
Core EPS growth (%)	-25.6%	+17.5%	+10.9%	+6.5%
PER (x)	46.6	21.9	25.9	24.3
PBV (x)	3.1	2.1	2.0	1.9
Dividend (Bt)	0.6	1.0	0.8	0.9
Dividend yield (%)	1.2	2.5	2.1	2.3
ROE (%)	17.2	25.6	19.4	19.2

CG rating

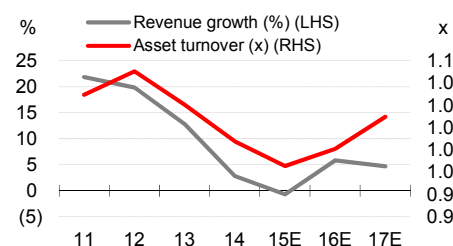


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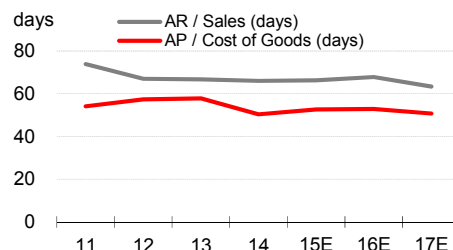
BJC: Financial Tables – Year

PROFIT & LOSS (Btm)	2013	2014	2015E	2016E	2017E
Revenue	42,226	43,423	43,130	45,655	47,793
Cost of sales and services	(32,131)	(33,643)	(32,904)	(34,802)	(36,469)
Gross profit	10,095	9,780	10,226	10,853	11,324
SG&A	(7,017)	(7,498)	(7,614)	(7,940)	(8,267)
EBIT	3,078	2,282	2,612	2,913	3,058
Finance costs	(575)	(612)	(486)	(516)	(512)
Other income/exp.	613	723	1,034	807	845
EBT	3,116	2,393	3,160	3,203	3,390
Corporate tax	(567)	(481)	(421)	(481)	(509)
After-tax net profit (loss)	2,550	1,912	2,738	2,723	2,882
Minority interest	(189)	(177)	(680)	(432)	(442)
Equity earnings from affiliates	65	72	71	76	86
Extra items	0	(128)	663	0	0
Net profit (loss)	2,426	1,680	2,792	2,367	2,525
Reported EPS	1.53	1.05	1.75	1.48	1.58
Fully diluted EPS	1.50	1.04	1.72	1.46	1.56
Core net profit	2,426	1,808	2,129	2,367	2,525
Core EPS	1.53	1.14	1.33	1.48	1.58
EBITDA	5,714	5,280	6,042	6,314	6,658
KEY RATIOS					
Revenue growth (%)	12.8	2.8	(0.7)	5.9	4.7
Gross margin (%)	23.9	22.5	23.7	23.8	23.7
EBITDA margin (%)	13.5	12.2	14.0	13.8	13.9
Operating margin (%)	8.7	6.9	8.5	8.1	8.2
Net margin (%)	5.7	3.9	6.5	5.2	5.3
Core profit margin (%)	5.7	4.2	4.9	5.2	5.3
ROA (%)	5.9	3.8	6.3	5.1	5.3
ROCE (%)	6.3	4.1	6.5	5.2	5.3
Asset turnover (x)	1.0	1.0	1.0	1.0	1.0
Current ratio (x)	1.3	1.0	1.3	1.3	1.4
Gearing ratio (x)	0.7	0.6	0.6	0.5	0.4
Interest coverage (x)	5.4	3.7	5.4	5.6	6.0
BALANCE SHEET (Btm)					
Cash & Equivalent	1,780	1,123	1,272	1,371	1,340
Accounts receivable	7,721	7,856	7,828	8,478	8,292
Inventory	8,443	7,410	7,894	8,107	8,469
PP&E-net	18,607	18,042	20,141	20,651	20,996
Other assets	7,951	9,000	8,773	8,577	8,392
Total assets	44,503	43,432	45,908	47,184	47,488
Accounts payable	5,094	4,647	4,744	5,049	5,070
ST debts & current portion	6,155	9,681	6,000	6,200	5,100
Long-term debt	10,521	6,551	10,200	9,800	9,700
Other liabilities	5,034	4,532	4,561	4,592	4,624
Total liabilities	26,804	25,411	25,505	25,641	24,494
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	11,844	12,595	13,738
Minority interests	14,760	15,097	17,139	18,063	19,293
Total Liab.&Shareholders' equity	51,075	50,483	54,487	56,299	57,525
CASH FLOW (Btm)					
Net income	2,426	1,680	2,792	2,367	2,525
Depreciation and amortization	2,022	2,274	2,396	2,595	2,756
Change in working capital	(1,137)	(179)	(358)	(558)	(155)
FX, non-cash adjustment & others	597	708	1,095	872	869
Cash flows from operating activities:	3,908	4,483	5,925	5,276	5,994
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)	(518)	(716)	(1,712)
Equity financing	349	219	173	173	87
Dividend payment	(1,707)	(1,329)	(924)	(1,616)	(1,382)
Others	(1,067)	52	0	0	0
Cash flows from financing activities	651	(1,444)	(1,268)	(2,158)	(3,007)
Net change in cash	(307)	(232)	149	99	(31)
Free cash flow (Btm)	109	1,159	1,417	2,258	2,976
FCF per share (Bt)	0.1	0.7	0.9	1.4	1.9
Key Assumptions	2013	2014	2015E	2016E	2017E
Packaging sales growth	5.2%	-7.2%	9.2%	7.2%	5.0%
Consumer sales growth	40.4%	-1.8%	0.6%	3.0%	5.0%
Healthcare/Technical sales growth	-1.0%	6.7%	-11.2%	11.1%	5.0%

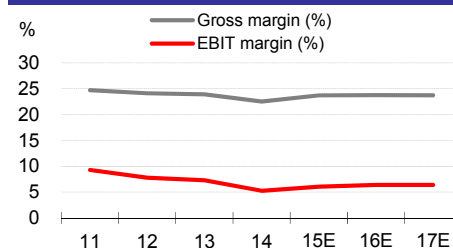
Revenue growth and asset turnover



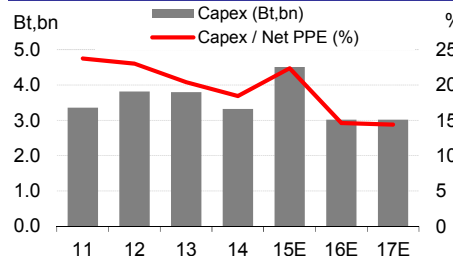
A/C receivable & A/C payable days



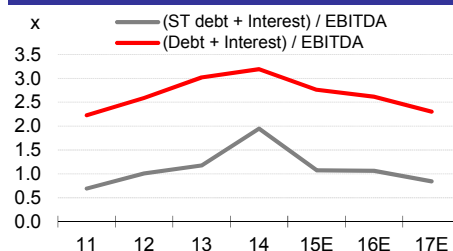
Profit margins



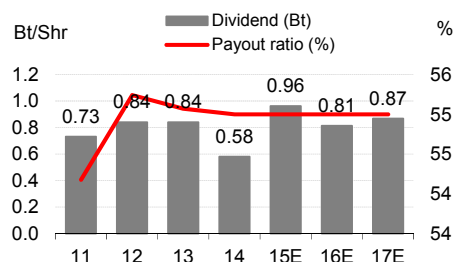
Capital expenditure



Debt serviceability



Dividend payout



BJC: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	3Q14	4Q14	1Q15	2Q15	3Q15
Revenue	9,991	12,914	10,493	10,241	10,388
Cost of sales and services	(7,709)	(10,030)	(7,963)	(7,858)	(8,009)
Gross profit	2,282	2,884	2,530	2,383	2,379
SG&A	(1,746)	(2,316)	(1,827)	(1,811)	(1,867)
EBIT	537	568	704	572	511
Finance costs	(130)	(212)	(131)	(128)	(111)
Other income/exp.	127	268	158	164	447
EBT	534	624	730	608	848
Corporate tax	(56)	(197)	(108)	(86)	(80)
After-tax net profit (loss)	477	427	622	521	767
Minority interest	(65)	58	(102)	(124)	(311)
Equity earnings from affiliates	(13)	79	9	4	49
Extra items	(128)	0	0	343	320
Net profit (loss)	271	564	529	744	825
Reported EPS	0.17	0.35	0.33	0.47	0.52
Fully diluted EPS	0.17	0.35	0.33	0.47	0.52
Core net profit	399	564	529	401	505
Core EPS	0.25	0.35	0.33	0.25	0.32
EBITDA	1,239	1,424	1,366	1,250	1,521

KEY RATIOS

Gross margin (%)	22.8	22.3	24.1	23.3	22.9
EBITDA margin (%)	12.4	11.0	13.0	12.2	14.6
Operating margin (%)	5.4	4.4	6.7	5.6	4.9
Net margin (%)	2.7	4.4	5.0	7.3	7.9
Core profit margin (%)	4.0	4.4	5.0	3.9	4.9
BV (Bt)	15.1	15.7	16.4	16.9	17.4
ROE (%)	11.3	23.3	20.7	27.9	30.1
ROA (%)	2.4	5.1	4.9	6.8	7.5
Current ratio (x)	1.0	1.0	1.0	0.9	1.1
Gearing ratio (x)	0.7	0.6	0.6	0.6	0.6
Interest coverage (x)	4.1	2.7	5.4	4.5	4.6

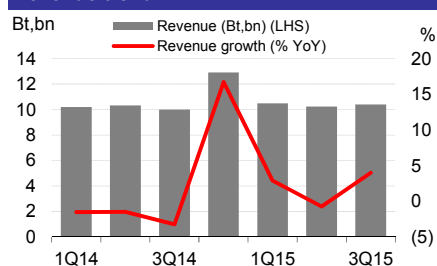
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,333	1,123	1,176	1,133	1,242
Accounts receivable	7,590	7,856	8,156	7,922	7,605
Inventory	7,714	7,410	7,261	7,321	7,421
PP&E-net	19,831	18,042	17,819	18,411	18,466
Other assets	7,962	9,000	9,070	9,021	9,453
Total assets	44,431	43,432	43,483	43,808	44,187
Accounts payable	4,148	4,647	4,362	4,316	4,442
ST debts & current portion	10,743	9,681	9,843	11,112	8,309
Long-term debt	6,882	6,551	6,081	4,527	7,133
Other liabilities	4,988	4,532	4,686	4,673	4,366
Total liabilities	26,761	25,411	24,971	24,628	24,250
Paid-up capital	1,592	1,592	1,592	1,592	1,592
Share premium	3,950	3,952	3,952	3,952	3,952
Retained earnings	0	0	0	0	0
Shareholders equity	9,411	9,975	10,504	10,816	11,084
Minority interests	14,694	15,097	15,549	16,100	16,577
Total Liab.&Shareholders' equity	50,866	50,483	51,024	51,544	51,911
Key Assumptions	3Q14	4Q14	1Q15	2Q15	3Q15
Packaging sales growth	-6.1%	-5.2%	8.2%	1.0%	14.2%
Consumer sales growth	-2.3%	-6.1%	1.2%	0.6%	-0.5%
Healthcare/Technical sales growth	4.4%	13.3%	-7.7%	-15.4%	-12.4%

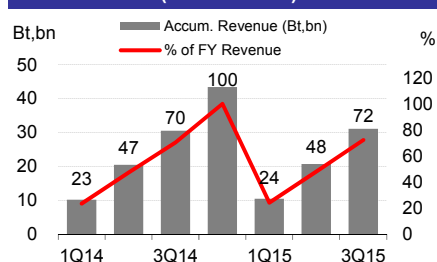
Company profile

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.

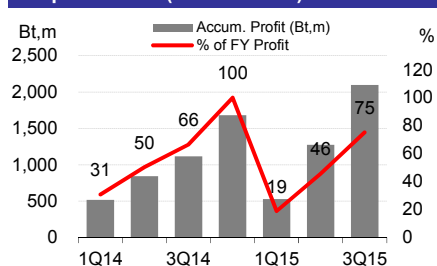
Revenue trend



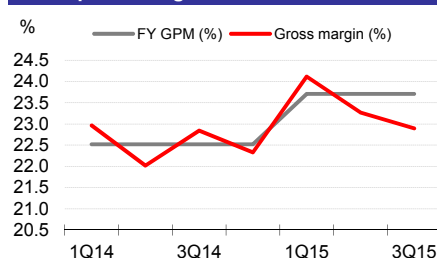
Revenue trend (accumulated)



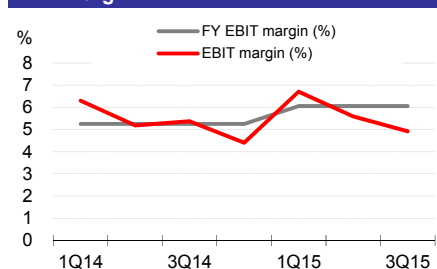
Net profit trend (accumulated)



Gross profit margin



EBIT margin



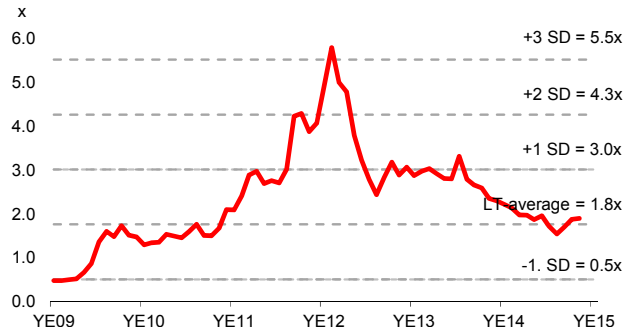
Regional Comparisons

	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	CNY15.2	17,535	280.7	631.7	-55.0	-55.6	4.0	3.3	0.8	0.7	0.0	0.0
Wumart Stores Inc	1025 HK	HKD5.5	914	14.8	13.7	n.a.	7.5	1.4	1.3	10.0	9.7	2.4	2.6
Parkson Retail Group	3368 HK	HKD1.1	367	33.3	12.9	n.a.	240.9	0.4	0.4	1.8	3.6	5.0	5.5
Nitori Hldg Co Ltd	9843 JT	JPY9,900.0	9,226	23.3	21.3	12.8	9.7	3.2	2.8	14.4	14.3	0.6	0.7
Lawson Inc	2651 JT	JPY9,580.0	7,824	25.8	23.2	12.8	11.4	3.6	3.4	14.2	15.1	2.6	2.7
Seven & I Holdings Co Ltd	3382 JT	JPY5,822.0	42,023	26.4	23.3	12.5	13.5	2.1	2.0	8.4	9.1	1.3	1.5
Family Mart	8028 JP	JPY5,430.0	4,319	22.9	20.8	-12.8	10.0	1.8	1.7	8.4	8.5	2.0	2.0
President Chain Store Corp	2912 TT	TWD211.0	6,747	25.8	23.9	-6.4	8.4	7.8	7.3	30.8	30.9	3.3	3.3
Capitaland Limited	CAPL SP	SGD3.1	9,405	19.3	17.8	-24.9	10.2	0.8	0.8	4.9	5.2	2.9	2.9
SM Prime Holdings Inc.	SMPH PM	PHP20.9	12,849	26.7	23.9	25.8	5.1	2.8	2.6	11.2	11.2	1.2	1.4
Home Depot	HD US	USD130.2	167,203	24.4	21.1	13.2	14.9	23.7	31.2	87.5	166.4	1.8	2.1
Costco whole sale corp	COST US	USD163.1	71,341	28.9	26.1	4.1	10.8	6.1	5.3	22.1	22.6	1.0	1.1
Carrefour	CA FP	EUR29.3	23,044	18.0	16.2	-8.4	11.8	2.1	1.9	12.0	12.6	2.5	2.8
Home Product Center	HMPRO TB	THB6.90	2,538	24.6	21.2	4.7	16.0	5.1	4.5	20.8	21.3	1.7	1.9
Big C Supercenter	BIGC TB	THB199.00	4,592	22.3	20.1	1.6	11.2	3.5	3.1	16.5	16.3	1.3	1.5
Beauty Community	BEAUTY TB	THB5.40	453	39.4	30.4	36.6	29.3	12.4	10.3	34.4	37.0	1.7	2.1
Karmarts	KAMART TB	THB7.90	146	30.3	26.9	5.6	12.6	7.5	7.6	24.9	28.5	3.5	4.1
Berli Jucker	BJC TB	THB38.25	1,703	22.2	26.2	66.3	-15.2	2.1	2.0	25.6	19.4	2.5	2.1
C.P. All	CPALL TB	THB49.75	12,499	33.8	28.3	30.1	19.6	10.9	9.2	39.1	38.9	1.8	2.0
Central Pattana	CPN TB	THB46.75	5,868	25.9	20.8	10.8	24.8	4.5	3.9	18.6	20.4	1.5	1.9
DSG International (Thailand)	DSGT TB	THB3.96	140	12.4	11.4	-8.2	8.7	1.8	1.7	15.4	15.4	4.0	4.4
Siam Global House	GLOBAL TB	THB10.30	1,004	39.5	29.9	29.5	32.0	2.4	2.3	6.3	7.9	1.3	1.7
Robinson Department Store	ROBINS TB	THB42.50	1,320	22.5	19.9	8.9	12.9	3.3	3.0	16.4	16.9	2.3	2.5
Siam Future Development	SF TB	THB5.90	293	12.7	11.4	-1.8	11.5	1.3	1.1	11.4	11.2	0.2	0.2
COL	COL TB	THB43.25	387	36.4	30.6	-13.4	19.0	2.8	2.6	7.7	8.8	1.1	1.3
The Platinum Group	PLAT TB	THB5.50	431	26.3	24.3	0.0	8.6	1.9	1.8	10.7	7.5	1.5	1.6
Siam Makro	MAKRO TB	THB38.50	5,169	33.6	29.0	12.7	15.9	13.3	12.0	41.3	43.5	2.5	3.0
Simple average				35.3	44.7	6.3	18.7	4.9	4.8	19.1	22.3	2.0	2.2

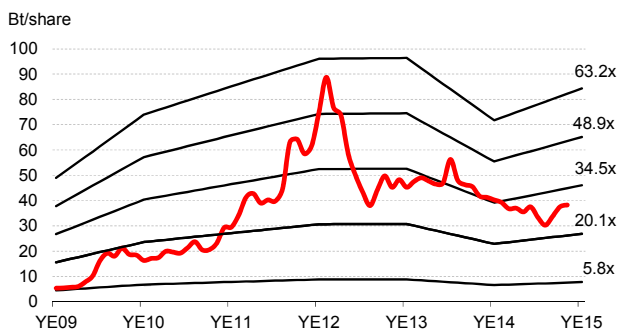
PER band versus SD (next 12 months)



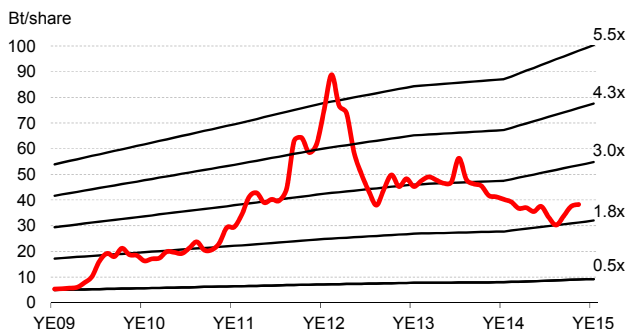
PBV band versus SD (next 12 months)



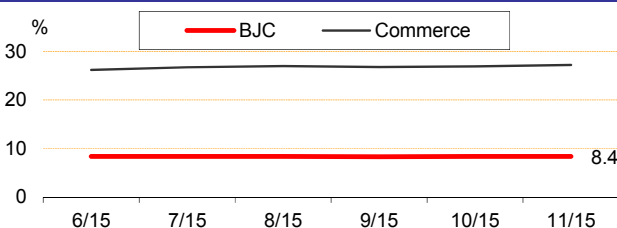
PER band and share price



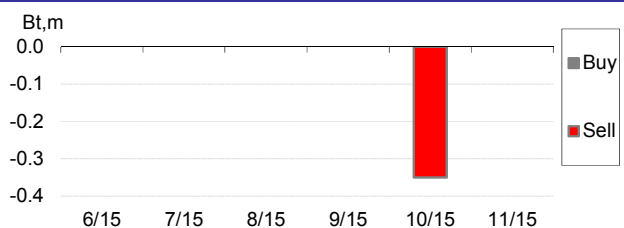
PBV band and share price



Foreign holdings



Management trading activities during past six months








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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
SPRC	SPRC

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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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.