

Berli Jucker

BJC TB / BJC.BK

15 February 2016

BIGC takeover bid goes to shareholders

What's new?

BJC's Board of Directors have called a shareholders meeting for 21 March to consider and approve the acquisition of BIGC shares (58.6% stake from Casino Guichard-Perrachon SA (Casino) and the remainder from a tender offer) at the price of Bt252.88 (including the FY15 dividend).

Cash call under way

The acquisition of BIGC will trigger BJC to make a cash call, otherwise its balance sheet will be distressed. The portion that BJC will buy from Casino is expected to push up BJC's net D/E to 3x and net D/E would increase even further to 9.8x if all minority shareholders accept the tender offer. We have run a scenario analysis to assess the dilution effect and the potential impact on EPS from changes in net D/E target at YE16, cash call price and percentage holding in BIGC (see Figure 1 on page 4 of this report).

Note that our scenarios are based on the following assumptions:

1. A bridging loan rate of 3.5%, including fees and hedging costs.
2. An Interest rate of 3.25% for a long-term loan used to refinance the bridging loans.
3. Transaction for the 58.6% stake in BIGC takes place on 31 Mar.
4. A tender offer takes place on 31 May.
5. A cash call takes place on 30 Sep.

Good to acquire

Financially, the acquisition of BIGC should increase BJC's value as BIGC's earnings yield is higher than BJC's funding costs, including the cash call. Based on our scenario analysis, FY17 EPS will be enhanced by 1.5% to 47%, depending which scenario plays out.

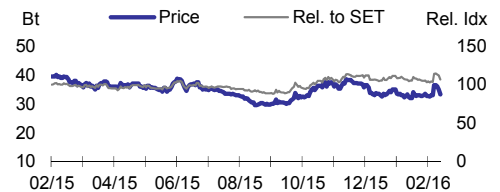
Operationally, BJC should benefit from having BIGC as its subsidiary. BIGC should find it easier to distribute its products through BIGC stores and should enjoy being a key OEM manufacturer for BIGC's house brands. The most important factor in our view is that BJC will better understand market data, customer behavior and demand preferences, which will lead to better product developments and higher competitiveness.

Upgrade to BUY

The recent fall in share price has widened the upside to our YE16 target price to 10%, which we think is attractive as our model has yet to factor in the acquisition of BIGC, so there should be some further upside. We upgrade our rating on BJC to BUY with a YE16 target price of Bt36.50.

Sector: Consumer/Retail – OVERWEIGHT
Rating: BUY
Target Price: Bt36.50
Price (12 February 2016): Bt33.25

Price chart

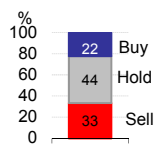


Share price perf. (%)	1M	3M	12M
Relative to SET	1.7	(0.6)	4.1
Absolute	1.5	(8.3)	(16.9)

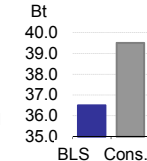
Key statistics

Market cap	Bt52.9bn	USD1.5bn
12-mth price range	Bt28.8/Bt40.3	
12-mth avg daily volume	Bt20m	USD0.6m
# of shares (m)	1,592	
Est. free float (%)	21.1	
Foreign limit (%)	49.0	

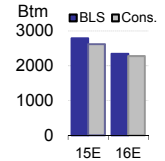
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Revenues (Btm)	43,423	43,123	45,433	47,560
Net profit (Btm)	1,680	2,788	2,344	2,501
EPS (Bt)	1.05	1.75	1.46	1.56
EPS growth (%)	-30.8%	+65.6%	-16.2%	+6.6%
Core profit (Btm)	1,808	2,125	2,344	2,501
Core EPS (Bt)	1.14	1.33	1.46	1.56
Core EPS growth (%)	-25.6%	+17.3%	+10.0%	+6.6%
PER (x)	46.6	19.0	22.7	21.3
PBV (x)	3.1	1.8	1.7	1.6
Dividend (Bt)	0.6	1.0	0.8	0.9
Dividend yield (%)	1.2	2.9	2.4	2.6
ROE (%)	17.2	25.6	19.2	19.0

CG/Anti-Corruption

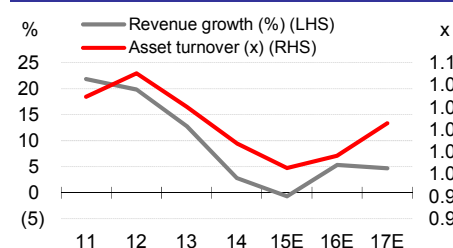


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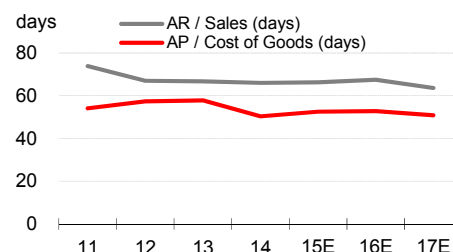
BJC: Financial Tables – Year

PROFIT & LOSS (Btm)	2013	2014	2015E	2016E	2017E
Revenue	42,226	43,423	43,123	45,433	47,560
Cost of sales and services	(32,131)	(33,643)	(32,879)	(34,628)	(36,285)
Gross profit	10,095	9,780	10,244	10,805	11,274
SG&A	(7,017)	(7,498)	(7,613)	(7,915)	(8,241)
EBIT	3,078	2,282	2,631	2,889	3,033
Finance costs	(575)	(612)	(486)	(516)	(512)
Other income/exp.	613	723	1,033	802	839
EBT	3,116	2,393	3,178	3,175	3,361
Corporate tax	(567)	(481)	(424)	(476)	(504)
After-tax net profit (loss)	2,550	1,912	2,754	2,699	2,856
Minority interest	(189)	(177)	(700)	(431)	(441)
Equity earnings from affiliates	65	72	71	76	86
Extra items	0	(128)	663	0	0
Net profit (loss)	2,426	1,680	2,788	2,344	2,501
Reported EPS	1.53	1.05	1.75	1.46	1.56
Fully diluted EPS	1.50	1.04	1.72	1.45	1.54
Core net profit	2,426	1,808	2,125	2,344	2,501
Core EPS	1.53	1.14	1.33	1.46	1.56
EBITDA	5,714	5,280	6,060	6,286	6,629
KEY RATIOS					
Revenue growth (%)	12.8	2.8	(0.7)	5.4	4.7
Gross margin (%)	23.9	22.5	23.8	23.8	23.7
EBITDA margin (%)	13.5	12.2	14.1	13.8	13.9
Operating margin (%)	8.7	6.9	8.5	8.1	8.1
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	6.2	5.0	5.3
ROCE (%)	6.3	4.1	6.4	5.1	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	5.9
BALANCE SHEET (Btm)					
Cash & Equivalent	1,780	1,123	1,295	1,469	1,333
Accounts receivable	7,721	7,856	7,825	8,401	8,287
Inventory	8,443	7,410	7,882	8,039	8,455
PP&E-net	18,607	18,042	20,141	20,651	20,996
Other assets	7,951	9,000	8,763	8,568	8,383
Total assets	44,503	43,432	45,906	47,127	47,452
Accounts payable	5,094	4,647	4,737	5,008	5,061
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	25,498	25,599	24,485
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	11,840	12,570	13,702
Minority interests	14,760	15,097	17,135	18,039	19,257
Total Liab.&Shareholders' equity	51,075	50,483	54,472	56,208	57,444
CASH FLOW (Btm)					
Net income	2,426	1,680	2,788	2,344	2,501
Depreciation and amortization	2,022	2,274	2,396	2,595	2,756
Change in working capital	(1,137)	(179)	(351)	(462)	(247)
FX, non-cash adjustment & others	597	708	1,115	871	868
Cash flows from operating activities:	3,908	4,483	5,948	5,348	5,877
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)	(1,613)	(1,369)
Others	(1,067)	52	0	0	0
Cash flows from financing activities	651	(1,444)	(1,268)	(2,156)	(2,995)
Net change in cash	(307)	(232)	172	174	(136)
Free cash flow (Btm)	109	1,159	1,440	2,330	2,859
FCF per share (Bt)	0.1	0.7	0.9	1.5	1.8
Key Assumptions	2013	2014	2015E	2016E	2017E
Packaging sales growth	5.2%	-7.2%	7.4%	7.2%	5.0%
Consumer sales growth	40.4%	-1.8%	1.1%	3.0%	5.0%
Healthcare/Technical sales growth	-1.0%	6.7%	-8.6%	8.0%	5.0%

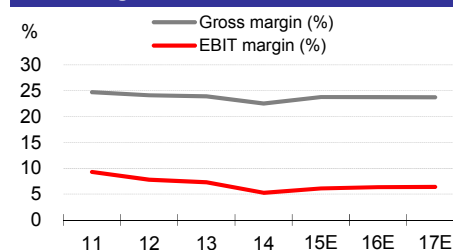
Revenue growth and asset turnover



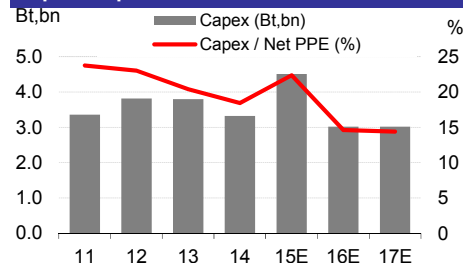
A/C receivable & A/C payable days



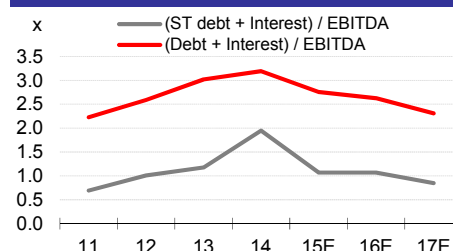
Profit margins



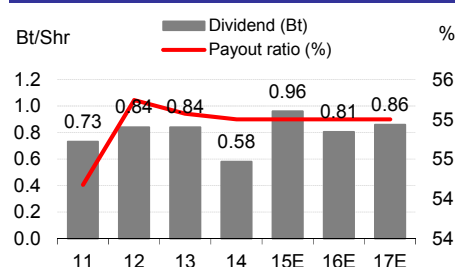
Capital expenditure



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

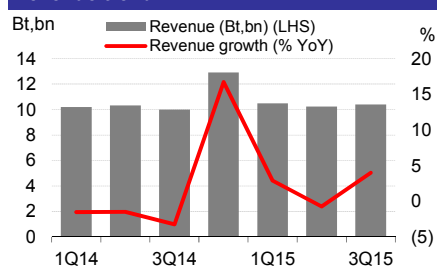
QUARTERLY BALANCE SHEET (Btm)

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%

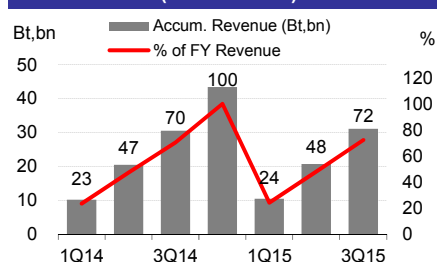
Company profile

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.

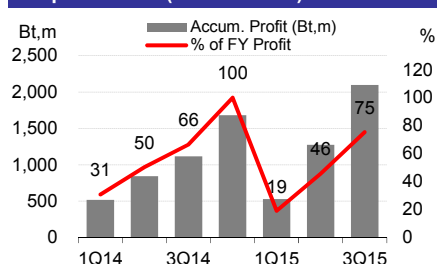
Revenue trend



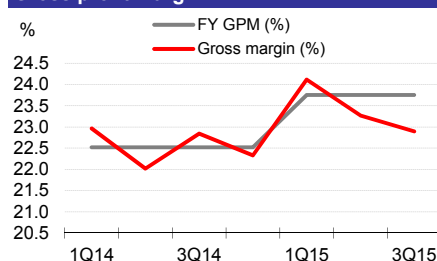
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

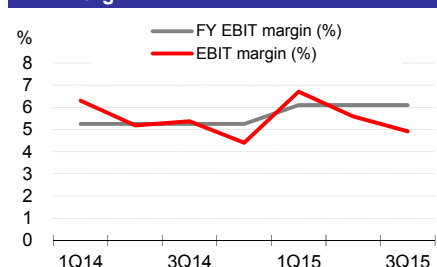


Figure 1 : Scenario analyses
100% holding

Net D/E	Cash call price		
	25	30	35
1.75X	Dilution: 38.4%	36.7%	35.2%
	FY16 EPS: 0.86	0.96	1.04
	FY16 WA EPS: 1.75	1.79	1.82
	FY17 EPS: 1.58	1.77	1.93
2.0X	37.3%	35.5%	33.9%
	0.91	1.01	1.10
	1.77	1.80	1.83
	1.65	1.84	1.99
2.5x	35.1%	33.2%	31.4%
	1.01	1.11	1.20
	1.79	1.82	1.85
	1.79	1.96	2.11
3.0x	32.9%	30.8%	29.0%
	1.10	1.20	1.28
	1.81	1.84	1.87
	1.91	2.08	2.23

58.6% holding

Net D/E	Cash call price		
	25	30	35
1.75X	Dilution: 25.4%	23.1%	21.2%
	FY16 EPS: 1.33	1.41	1.48
	FY16 WA EPS: 1.92	1.94	1.95
	FY17 EPS: 1.74	1.87	1.93
2.0X	21.6%	19.4%	17.6%
	1.45	1.52	1.57
	1.93	1.94	1.94
	1.85	1.93	2.00
2.5x	12.5%	10.9%	9.6%
	1.68	1.72	1.75
	1.93	1.94	1.94
	2.06	2.11	2.15
3.0x	0.6%	0.5%	0.4%
	1.93	1.93	1.93
	1.94	1.94	1.94
	2.29	2.29	2.3

Source: Bualuang Research estimates

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	CNY11.0	12,358	200.0	275.0	-54.2	-27.3	2.9	2.2	1.4	0.8	0.0	0.0
Wumart Stores Inc	1025 HK	HKD6.2	1,030	17.8	16.4	n.a.	8.8	1.6	1.5	9.4	9.6	0.0	2.5
Parkson Retail Group	3368 HK	HKD0.9	304	n.a.	14.3	n.a.	-312.0	0.3	0.3	-0.5	2.2	3.1	4.0
Nitori Hldg Co Ltd	9843 JT	JPY7,930.0	8,016	18.9	17.3	11.4	9.5	2.5	2.2	14.0	13.9	0.8	0.9
Lawson Inc	2651 JT	JPY9,020.0	7,991	24.4	21.8	12.2	12.2	3.3	3.2	14.2	15.3	2.7	2.9
Seven & I Holdings Co Ltd	3382 JT	JPY4,424.0	34,640	20.9	18.2	8.3	14.7	1.6	1.5	8.1	8.9	1.7	1.9
Family Mart	8028 JP	JPY5,620.0	4,849	23.8	21.8	-12.7	9.5	1.9	1.7	8.5	8.5	1.9	2.0
President Chain Store Corp	2912 TT	TWD220.0	6,869	27.1	25.3	-6.9	7.2	8.1	7.8	31.1	30.8	3.2	3.2
Capitaland Limited	CAPL SP	SGD2.8	8,577	16.2	14.2	-22.0	6.6	0.7	0.6	5.0	5.4	3.2	3.4
SM Prime Holdings Inc.	SMPH PM	PHP21.0	12,764	26.5	24.1	25.6	5.1	2.8	2.6	11.3	11.1	1.2	1.3
Home Depot	HD US	USD116.3	147,480	21.7	18.9	13.5	14.4	21.1	27.9	88.7	153.0	2.0	2.3
Costco whole sale corp	COST US	USD148.7	65,373	27.2	24.2	0.9	12.5	5.4	4.7	21.3	21.1	1.1	1.2
Carrefour	CA FP	EUR22.6	18,794	12.8	11.5	n.a.	11.7	1.5	1.4	12.3	12.8	3.5	3.9
Home Product Center	HMPRO TB	THB6.50	2,403	23.1	20.1	4.9	15.0	5.0	4.4	21.3	21.9	1.7	2.0
Big C Supercenter	BIGC TB	THB246.00	5,704	29.4	26.4	-4.7	11.4	4.3	3.9	15.5	15.5	1.1	1.1
Beauty Community	BEAUTY TB	THB5.35	451	40.4	31.6	31.9	27.8	14.0	12.7	35.6	42.2	2.4	3.1
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	THB33.25	1,488	19.3	23.0	66.0	-15.9	1.8	1.7	25.6	19.2	2.9	2.4
C.P. All	CPALL TB	THB40.25	10,162	27.7	24.1	28.8	14.6	8.8	7.4	38.8	36.9	2.0	2.0
Central Pattana	CPN TB	THB44.50	5,613	25.2	21.7	8.5	16.0	4.3	3.8	18.2	18.7	1.6	1.8
DSG International (Thailand)	DSGT TB	THB3.20	113	10.0	9.2	-8.2	8.7	1.5	1.4	15.4	15.4	5.0	5.4
Siam Global House	GLOBAL TB	THB8.80	862	34.4	27.2	27.0	26.7	2.1	2.0	6.2	7.4	1.5	1.8
Robinson Department Store	ROBINS TB	THB38.75	1,210	20.5	18.4	8.8	11.4	3.0	2.7	16.4	16.7	2.5	2.7
Siam Future Development	SF TB	THB6.10	305	7.9	11.8	63.9	-33.2	1.2	1.1	18.3	10.5	0.2	0.2
COL	COL TB	THB34.25	308	27.9	24.9	-10.6	11.9	2.2	2.1	8.0	8.5	1.4	1.6
The Platinum Group	PLAT TB	THB4.94	389	22.1	19.6	7.1	12.8	1.7	1.6	11.6	8.4	1.8	2.0
Siam Makro	MAKRO TB	THB32.50	4,384	28.6	25.3	11.9	12.8	11.3	10.3	41.1	42.5	2.9	3.5
Simple average				30.2	30.1	9.0	-3.5	4.5	4.5	19.3	21.7	2.0	2.4

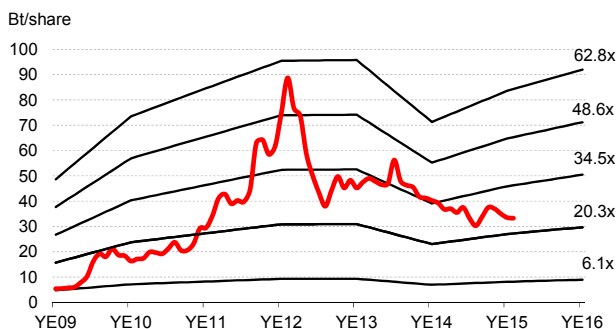
PER band versus SD (next 12 months)



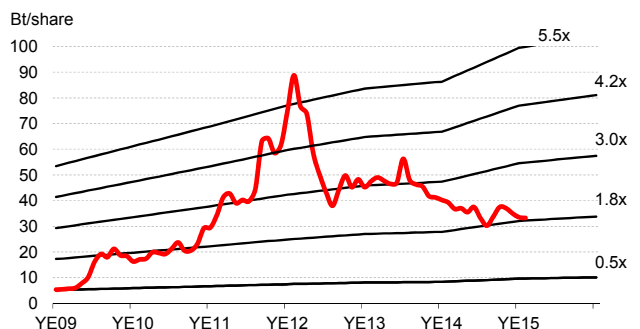
PBV band versus SD (next 12 months)



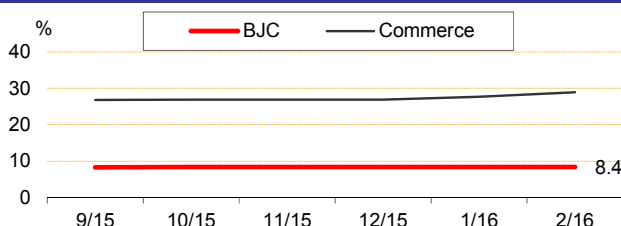
PER band and share price



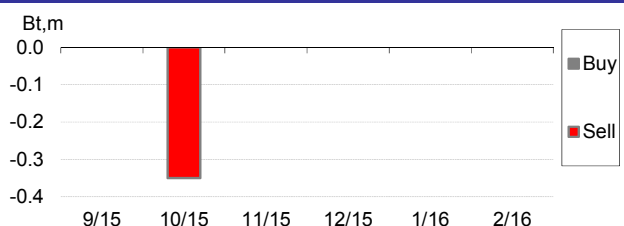
PBV band and share price



Foreign holdings



Management trading activities during past six months



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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter

CG Rating

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 00359		Pass
Below 50	No logo given	N/A

Anti-Corruption Progress Indicator

Level	Description
5	Extended
4	Certified
3B	Established by Commitment and Policy
3A	Established by Declaration of Intent
2	Declared
1	Committed
Partially progress	Partially progress
No progress	No progress

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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.