

BUY

Initiation

TP: Bt22.0

Upside : 20.2%

19 APRIL 2011



Berli Jucker Pcl (BJC TB)

Striving for more value



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We initiate on BJC with a BUY to a Bt22.00 TP, implying 16.6x PE. BJC deserves a higher PE than in the past from making the first move to create more value by expanding abroad. The second stage of value creation that may warrant at least 20x PE for BJC is when it can enter the downstream modern trade chain.

Initiate coverage with a BUY rating

We initiate coverage on BJC with a BUY rating to a DCF-based TP of Bt22.00 (using an 8.4% WACC), implying normalized PE of 16.6x in 2011 versus its historical normalized PE range of 4.0-20.6x from 2005-10. BJC has already made the move out of its organic growth businesses in Thailand into stronger growth and more lucrative overseas markets and thus its current PE of 13.8x is unjustifiably low. But our target PE is still lower than the average PE for modern trade operators at 22.1x and their average target 2011 PE of 26.4x.

Earnings growth out of organic mode

Due to the prospects for only organic growth in all of its three main supply chains, ie, industrial (50%), consumer (31%) and healthcare (17%), BJC has penetrated stronger growth markets by investing in Malaya Glass Products (a glass bottle manufacturer) and Thaicorp International (trading firm) in 3Q10. These companies operate in Vietnam, Malaysia, China and Thailand. BJC is also investing in a canning business in Vietnam which is scheduled to be operational in 2012. Thanks to a supply shortage in the packaging business and strong consumption growth in Vietnam, the investments should help BJC deliver a three-year normalized EPS CAGR of 15.3% compared with its 3.9% five-year historical average.

Some cost pressures but manageable

Rising raw material prices, particularly for palm oil, in a consumer product price control environment and the higher bargaining power of modern trade operators in Thailand present risks to BJC's consumer business gross margin. But it will be helped out by: 1) economies of scale and cost-plus pricing in its industrial business; and 2) a margin uptrend in its healthcare business given the need for high-tech equipment. We therefore forecast a flat gross margin at 27.0% in 2011-13.

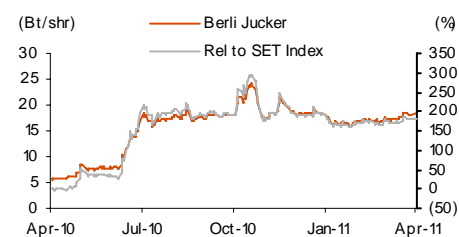
Waiting for second-stage value creation

BJC's overseas expansions have yet to fully unlock its value as they are still considered horizontal expansion. The next value-creation stage is vertical integration into downstream modern trade. Having lost the Carrefour bid to BIGC, its chances of penetrating the modern trade business in Thailand now look quite slim. This business in Thailand is already consolidated with the players all big. We see the only segment that has room for BJC to enter as being convenience stores but it will need time to develop. Also, whether BJC can move into downstream modern trade abroad is still a moot point.

COMPANY VALUATION

Y/E Dec (Bt m)	2010	2011F	2012F	2013F
Sales	26,082	29,910	34,327	38,315
Net profit	1,905	2,108	2,468	2,854
Consensus NP	—	2,111	2,395	2,762
Diff from cons (%)	—	(0.1)	3.0	3.3
Norm profit	1,863	2,108	2,468	2,854
Norm EPS (Bt)	1.2	1.3	1.6	1.8
Norm EPS gr (%)	51.4	13.2	17.1	15.6
Norm PE (x)	15.6	13.8	11.8	10.2
EV/EBITDA (x)	8.6	7.8	6.7	5.8
P/BV (x)	2.5	2.3	2.1	1.9
Div. yield (%)	3.3	3.6	4.2	4.9
ROE (%)	17.1	17.6	18.7	19.5
Net D/E (%)	54.1	51.6	47.3	37.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 18 Apr 11 (Bt)	18.30
Market cap (US\$ m)	965
Listed shares (m shares)	1,588
Free float (%)	17
Avg daily turnover (US\$ m)	4.96
12M price H/L (Bt)	24.9/5.7
Sector	Commerce
Major shareholder	TCC Holding Ltd. 70.6%

Sources: Bloomberg, Company data, Thanachart estimates

Initiate coverage with a BUY rating

We initiate coverage on Berli Jucker Pcl (BJC) with a BUY call to a DCF-based TP of Bt22.00/share (using an 8.4% WACC), implying a normalized PE of 16.6x in 2011 compared with its historical normalized PE range of 4.0-20.6x from 2005-10.

Cheap

- BJC looks cheap at its current PE of 13.8x against its own six-year historical range of 4.0-20.6x, or 7.0x on average, and also compared with its peers' 22.1x and their average target 2011 PE of 26.4x. That said, at this point we don't believe BJC deserves to trade at the same level as its rivals, which are mostly modern trade operators. The company's first value-creation move of expanding overseas was a value-unlocking stage. In our view, if BJC can take the next step by moving into the downstream modern trade chain, this second stage of value creation may warrant a PE multiple of at least 20x.

Already out of organic growth mode

- BJC deserves to trade at the upper bound of its historical PE band, in our view, given that the company already made the move out of its organic growth domestic businesses into strong growth and more lucrative overseas markets last year. Its EPS growth outlook with a 15.3% three-year CAGR is far stronger than its historical five-year average of only 3.9%.

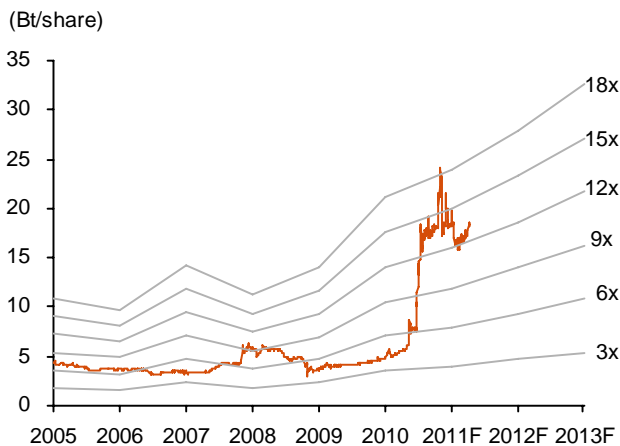
Jumps in ROA and ROE

- Overseas expansions have helped BJC to improve its profitability as shown by ROA and ROE (via rising sales and improving gross margin, particularly from its packaging business). Having jumped from 12.4% in 2009 to 17.1% in 2010, we project ROE to rise further to 17.6% in 2011 and then to 18.7% in 2012, helping support a P/BV valuation of above 2x.

Bad news in the price

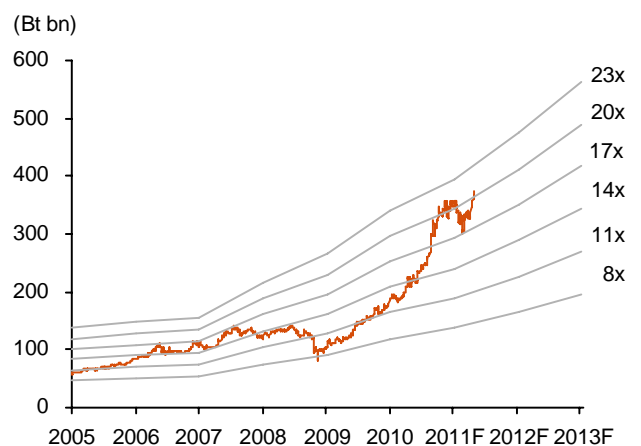
- After BJC lost the bid for the Carrefour deal in November last year, its share price was punished severely by the market, plunging 23.8% from its November 2010 peak. We believe that the current share price has already reflected the market's disappointment about the failure to clinch this deal.

Ex 1: BJC's PE Band Chart



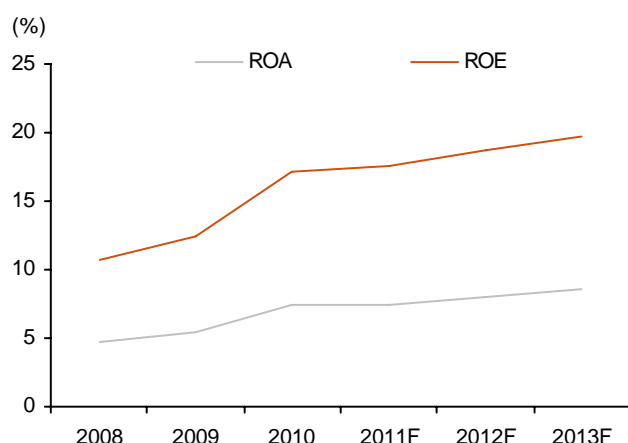
Sources: Bloomberg; Thanachart estimates

Ex 2: Commerce Sector's PE Band Chart



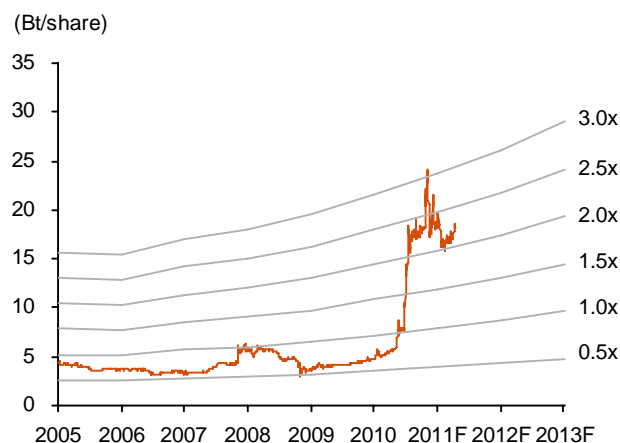
Sources: Bloomberg; Thanachart estimates

Ex 3: BJC's ROA And ROE



Sources: Company data; Thanachart estimates

Ex 4: BJC's P/BV Band Chart



Sources: Bloomberg, Thanachart estimates

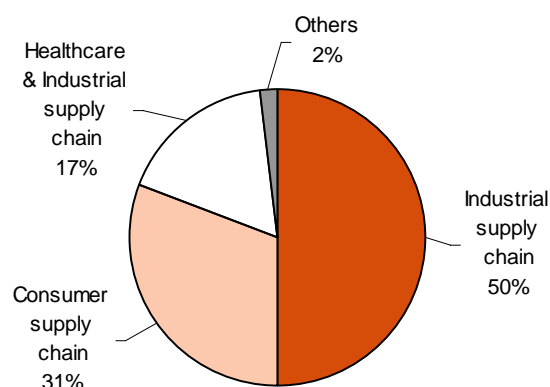
BJC is investing in overseas markets where the growth prospects are far stronger

Earnings growth out of organic mode

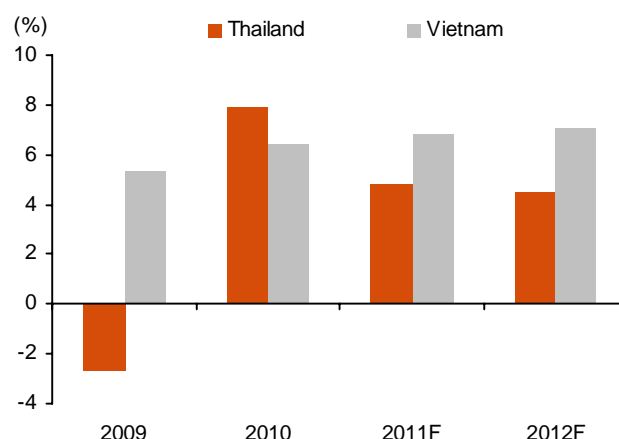
BJC operates three main supply chain businesses: industrial (50%), in which the main business is packaging; consumer (31%); and healthcare and technical supply chain (17%). These businesses have only been growing organically and BJC's average normalized EPS growth has been just 3.9% pa from 2005-09. Now that the company has started to expand into other markets where the growth prospects are far better, we forecast its three-year normalized EPS CAGR at 15.3%.

BJC has made significant moves abroad since 2010. The first-stage target was to gain more exposure in stronger growth markets in Thailand's neighboring countries and perhaps in the second stage take up vertical integration opportunities over the longer term in the modern trade business. Below are BJC's investments overseas.

- 1) BJC joined hands with its partner ACI International Pty., Ltd., a subsidiary of Owens Illinois, in setting up a 50:50 JV called BJC-OI Glass Pte., Ltd. This joint venture acquired Malaya Glass Products Sdn., Bhd. in Malaysia in July 2010. Malaya Glass makes and distributes glass bottles for breweries, soft drink manufacturers and food companies in Malaysia, Vietnam, Thailand and China. Together with BJC's own glass bottle business in Thailand, BJC has become the largest glass bottle manufacturer in Southeast Asia with five plants in Thailand, Vietnam and Malaysia. Malaya Glass also has an operation in China but this will be managed only by ACI. With a 50% stake in the BJC-OI Glass JV, BJC consolidates the business into its books. BJC has invested Bt2.9bn in the JV and profit contribution is expected at Bt120m, or 7% of BJC's total 2011F earnings.
- 2) In 3Q10, BJC acquired a 75% stake in a trading firm in Vietnam called Thaicorp International (Vietnam) Co., Ltd. from Mongkol Group in order to penetrate the consumer business in the country. This trading company generated full-year revenue of around Bt1.2bn in 2010. The size of the business isn't big compared with that of the retail market in Vietnam but its scale remains competitive versus other trading firms in the country. In addition, it is a first step into this business in the lucrative and strong growth Vietnam market.
- 3) BJC's 50%-owned subsidiary Thai Beverage Can Ltd., joined with Ball Corporation, a US-based global can manufacturer, to set up a new firm to produce cans in Vietnam with respective stakes of 53% and 47%. The new plant will have a capacity of 800m-850m cans a year and it is due to come on stream in mid 2012. This business is expected to add 6% to BJC's 2012F earnings.

Ex 5: BJC's Business Structure

Source: Company data

Ex 6: Vietnam And Thailand's GDP Growth

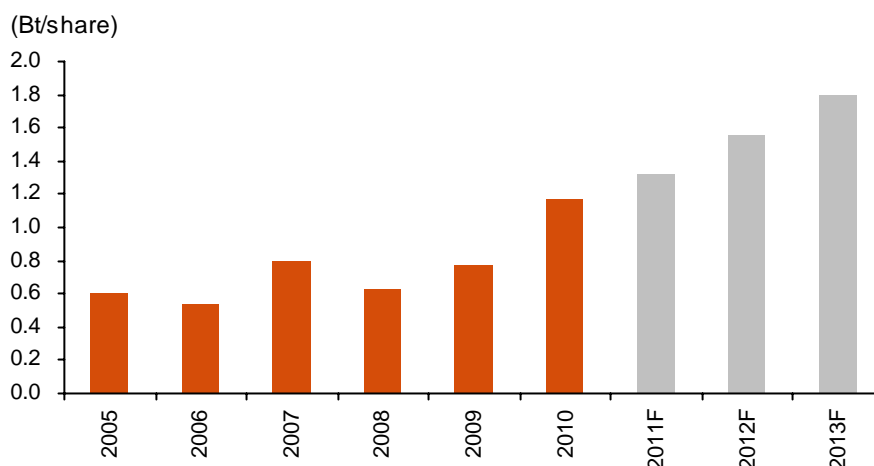
Sources: IMF, Thanachart estimates

Full-year contribution starts in 2011 and we forecast BJC's three-year normalized EPS CAGR at 15.3%

We believe these expansions will be good deals for BJC and boost its earnings to grow at above organic level over the next few years. Thanks to the full-year consolidation of the three overseas investments mentioned above, we estimate BJC's three-year normalized EPS CAGR at 15.3%.

- Vietnam is a far stronger growth country than Thailand and it will help unlock BJC from organic growth mode. The International Monetary Fund (IMF) forecasts Vietnam's GDP growth at 6.8% in 2011 and 7.5% in 2012 versus our projections for Thailand at 4.8% in 2011 and 4.5% in 2012.
- According to the Vietnamese government's master plan, the packaging sector is estimated to grow around 15-20% a year. Meanwhile, the annual growth rate in beverage consumption in Vietnam is forecast at around 13% from 2011-15 versus around 2.9% growth in Thailand over the past 10 years.
- Due to strong growth in GDP and personal income, the higher-end alcoholic drinks market is gaining market share from the lower-end segment in Vietnam. This is positive for BJC's investment with US-based Ball to invest in a greenfield can plant in the country.
- As for the glass bottle making business in Vietnam, there are only two big manufacturers at present and BJC-OI Glass is one of them. Due to strong market growth and a supply shortage of glass bottles in Vietnam, we believe both BJC's existing capacity and new capacity expansion from Malaya Glass which will come on stream in 2012 at around 250-260 tonnes per day will enjoy a high utilization rate of 90% a year. With Vietnam being a net importer of glass bottles along with high transport costs for glass bottle imports and BJC's cost competitiveness due to its economies of scale, we believe that BJC's prospects in the glass bottle manufacturing business in Vietnam remain bright.
- The overall packaging industry in Vietnam is still fragmented with many local manufacturers that have small production capacities. BJC's investments (JVs with regional and global partners) there are thus expected to enjoy competitive advantages in economies of scale, product quality and bargaining power

Ex 7: BJC's Normalized EPS



Sources: Company data, Thanachart estimates

Some cost pressures but manageable

Not a modern trade operator itself, so there is cost pressure on BJC with its consumer supply chain business

BJC is a manufacturer and distributor that hasn't yet integrated into the modern trade business. There is a concern therefore about its margin being squeezed. Pressure is coming from rising raw material and production costs in an inflationary environment but there are limitations against passing on all the higher costs. One reason is that the government imposes price controls on some consumer products and the other is high bargaining power from modern trade operators which are BJC's key customers and which are getting bigger and bigger. The margin pressure trend is generally reflected in the widening gap of the Producer Price Index (PPI) versus the Consumer Price Index (CPI) from 15.0% in 2009 to 22.7% in 2010 and to 26.2% in 1Q11.

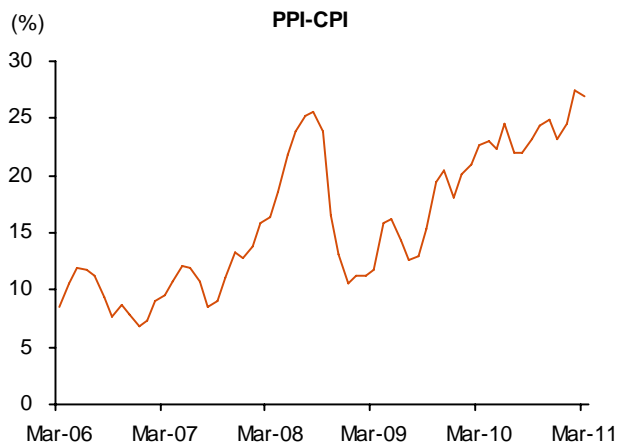
High palm oil prices are negative for BJC

One key area of cost pressure for BJC is palm oil. Food snacks and soaps are two key consumer products that BJC makes and palm oil is the main raw material for these. Palm oil makes up 15-20% of snack production costs and 50% of soap's. Soap is on the list of government price control products. Although snacks aren't, there is still some cost pressure due to fierce competition. Despite having softened from a peak of US\$1,342/tonne in February this year, the palm oil price is now at US\$1,238/tonne, still 25.9% above the 2H10 average of US\$983/tonne. Like most commodities, we don't expect palm oil prices to come back down to levels seen in the past.

Its modern trade customers keep getting bigger and more powerful

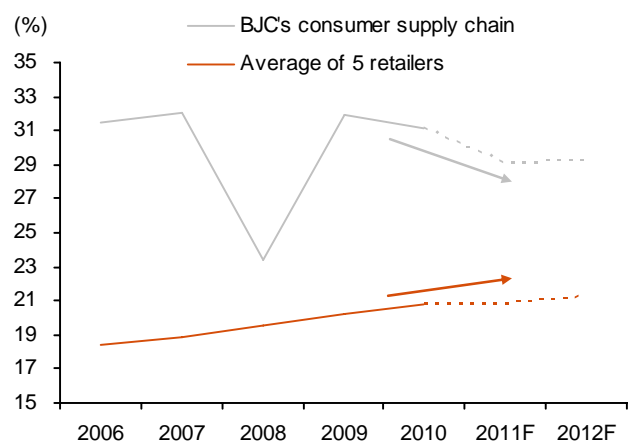
BJC distributes its products via most modern trade operators in Thailand such as Tesco Lotus, Big C & Carrefour, Makro, 7-Eleven, Central Group and The Mall Group. Modern trade operators have captured market share from traditional store operators (up from 8% in 1998 to 43% in 2009) and their expansions and market share grabs are continuing. The bigger they get, the higher the bargaining power they enjoy over their suppliers, including BJC. It's interesting to note that over the past five years, a period when Thailand has continued to face rising energy and raw materials costs, modern trade operators, or retailers, have seen their gross margins fatten. The average gross margin of the five retail stocks under our coverage rose from 18.4% in 2006 to 20.7% in 2010 and our retail and property analyst, *Phannarai Tiyapittayarat*, forecasts this margin to widen further to 20.9% in 2011 and to 21.3% in 2012.

Ex 8: PPI-CPI Gap



Source: Bank of Thailand

Ex 9: BJC's vs Five Retailers' Gross Margin*



Sources: Company data, Thanachart estimates
 Note: * BIGC, CPALL, HMPRO, MAKRO and ROBINS

Margin offset factor is from the packaging and healthcare businesses

Improving economies of scale in the packaging business

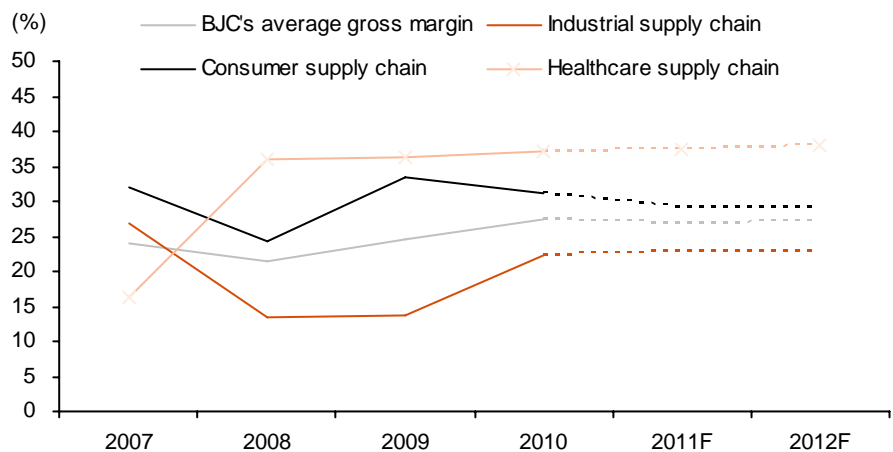
Rising demand for high-tech equipment for medical treatment

Although the gross margin of the domestic consumer business looks set to narrow, we forecast BJC's blended margin to stay flat from 2010 into 2011-12 at around 27%. The offsetting factor comes from rising margins for the packaging and healthcare businesses. Please see Exhibit 10 for our gross margin estimate for each business.

BJC is expanding its packaging business overseas and due to its larger size, its negotiating power has improved. Rising utilization will also help fatten gross margin. Despite the cost-plus pricing for this business, we still expect BJC to be able to boost its gross margin from 22.1% in 2010 to 22.8% in 2011 and 23.0% in 2012.

BJC is an importer and distributor of medical equipment such as Da Vinci surgical robots, surgical operating microscopes and ophthalmic lasers, among others. The company is a key player in this market and most big-name hospitals are its customers. The outlook for this business is decent due to stronger competition among hospitals to improve medical treatment and service standards. The trend is also geared toward specialization for high-intensity care which implies rising demand for medical equipment. We forecast the gross margin of this business to remain at high levels and gradually increase from 37.2% in 2010 to 37.5% in 2011 and to 38.0% in 2012.

Ex 10: BJC's Gross Margin Breakdown By Business



Sources: Company data, Thanachart estimates









Waiting for second-stage value creation

2011-12 overseas expansion direction is into trading and manufacturing

As for BJC’s business strategy in 2011-12, it’s looking to expand and gain exposure in the consumer business in neighboring countries with high growth potential. The exposure will still be in the areas where BJC has expertise, ie, trading and manufacturing. But whether it will move into the downstream modern trade business overseas is still a moot point and something we don’t expect to happen during the next five years. This is why although we have a more positive view on BJC better utilizing its strong expertise in the manufacturing and trading businesses to create more value to shareholders by expanding abroad, this horizontal integration has yet to fully unlock its value. BJC, in our view, needs to have its own outlets to reach end-consumers and trade at a high PE multiple of above 20x like many of its sector peers.

Vietnam has the highest growth potential within BJC’s overseas portfolio and this is where the company will focus in its early years of expansion. After investing in a trading business in Vietnam last year, BJC plans to move up the value chain into the manufacturing business this year. The first production plant in Vietnam is a converting plant for finished tissue products and the company plans more of these. With this business model, BJC hopes to be able to develop a greater variety of products and services to serve customer needs which will help it to gain more market share and enjoy a fatter gross margin in the consumer business in Vietnam. Apart from Vietnam, BJC plans to expand into the consumer business in Cambodia and Myanmar this year or next by applying the same business model it uses in Vietnam.

Ex 11: Two Stages Of Value Creation

Supply chain		Main business bases				
		Thailand	Vietnam	Malaysia	Cambodia	Myanmar
		The 1st move: Horizontal integration 				
Manufacturers	The 2nd move: Vertical integration 					
Distributors						
Retailers						

Sources: Company data, Thanachart

Management sees a real need to go downstream

As we've mentioned several times in this report, BJC's value will not be fully unlocked if the company still cannot penetrate the downstream retail or modern trade business. Management admits that the lack of its own retail outlets will continue to put pressure on gross margin, especially its consumer business in Thailand. This could also be an impediment to the margin of its consumer business overseas in the longer term when the retailing environment is fully developed in those countries.

While the chances look slim, convenience stores may be the easiest segment to penetrate

After having lost the Carrefour bid to BIGC, the chances of BJC getting into modern trade operations in Thailand now appear slim because the market is already consolidated and controlled by major players such as Tesco Lotus, Big C plus Carrefour, CP All, Makro, Central Group and The Mall Group. However, as BJC's management is still determined to find a channel to reach end-consumers directly, we believe the modern trade segment that still has room for BJC to enter is convenience stores as it's still in a growth cycle. This is the business model the other main Thai trading firm, Sahapattana Piboon Group, is entering with its "108 Shop". The hypermarket, supermarket and department store segments have almost reached maturity and they are dominated by big, powerful foreign and Thai chains. But even if there is still room for BJC to move into the convenience store segment, it's not an area where we expect it to enjoy great success or grow rapidly into a major player. With CPALL's 7-Eleven dominating the market and still expanding fast with such a high-success store format and product strategy that meet customers' demands, it's hard to see other players posing any real threat to CPALL.

Whether it gets into modern trade in other countries is also still a moot point

Management doesn't expect to penetrate downstream into the retail business overseas in the near to medium term. We actually don't expect to see this happen within the next five years at least. Expansion into modern trade markets abroad will also be tough due to strict regulations in these countries limiting foreign access. For example, in Vietnam, foreign investors have to apply for separate licenses for each additional outlet and approval depends on governmental review.

Valuation Comparison

Ex 12: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div yield	
			11F (%)	12F (%)	11F (x)	12F (x)	11F (x)	12F (x)	11F (x)	12F (x)	11F (%)	12F (%)
Tesco	TSCO LN	Britain	11.5	9.7	12.3	11.2	2.0	1.8	8.0	7.3	3.5	3.9
Fujian New Hua Du	002264 CH	China	36.3	28.9	31.5	24.4	na	na	na	na	0.9	1.1
Beijing Hualian	600361 CH	China	46.3	31.0	34.6	26.4	2.6	2.4	12.6	10.9	1.2	1.3
Wumart Stores	8277 HK	China	23.6	20.4	9.1	7.6	1.6	1.4	na	na	4.5	5.4
Lianhua Supermarket	980 HK	China	17.3	19.1	29.4	24.7	6.4	5.6	8.5	7.4	1.2	1.4
Carrefour SA	CA FP	France	11.1	18.1	12.6	10.6	2.0	1.8	5.3	4.8	4.0	4.5
Casino Guichard	CO FP	France	10.5	14.0	12.7	11.2	1.0	1.0	6.2	5.6	4.3	4.7
Aeon	8267 JP	Japan	186.6	(23.5)	12.7	16.7	0.8	0.8	6.3	6.0	2.2	2.1
UNY	8270 JP	Japan	na	(36.0)	24.0	37.5	0.6	0.6	6.6	6.5	2.5	2.5
Lotte Shopping	023530 KS	South Korea	17.7	14.0	11.9	10.4	0.9	0.8	8.8	8.0	0.3	0.3
Shinsegae	004170 KS	South Korea	(21.1)	12.9	12.6	11.1	1.2	1.1	8.9	8.3	0.5	0.6
Wal-Mart Stores	WMT US	USA	11.9	9.9	13.2	12.0	2.7	2.5	7.0	6.7	2.3	2.5
Berli Jucker*	BJC TB	Thailand	13.2	17.1	13.8	11.8	2.3	2.1	7.8	6.7	3.6	4.2
Big C Supercenter*	BIGC TB	Thailand	5.2	20.7	20.2	16.8	3.1	2.8	44.9	29.9	2.5	3.0
CP All*	CPALL TB	Thailand	20.5	22.4	23.8	19.5	10.1	9.0	12.4	10.1	3.4	4.4
Home Product*	HMPRO TB	Thailand	21.6	20.0	22.2	18.5	5.9	5.3	24.3	20.0	3.2	3.8
Siam Makro*	MAKRO TB	Thailand	14.9	14.1	17.5	15.3	3.9	3.7	9.2	8.0	4.6	5.9
Robinson Dept. *	ROBINS TB	Thailand	8.0	15.4	21.0	18.2	3.4	3.0	22.0	16.8	1.9	2.5
Average			25.6	12.7	18.6	16.9	3.0	2.7	12.4	10.2	2.6	3.0

Source: Bloomberg

Note: * Thanachart estimates, using normalized EPS

COMPANY DESCRIPTION

BJC was set up over 125 years ago. Its businesses relate to trading, manufacturing and servicing fields which can be classified into three main groups: industrial supply chain, consumer supply chain and healthcare and technical supply chain. The sales contributions from each group in 2010 were 50%, 31% and 17%, respectively.

Source: Thanachart

THANACHART'S SWOT ANALYSIS

S — Strength

- BJC is the largest glass bottle manufacturer in Southeast Asia and No.1 in the canning business in Thailand.
- A larger-sized packaging business after expanding overseas will boost BJC's bargaining power with suppliers.
- Strong connections with Thai Beverage Pcl (Beer Chang).

O — Opportunity

- High growth in Indochina economies and of alcoholic beverage consumption will provide opportunities for BJC.
- Slow modern trade business development in Indochina in past years will allow BJC to expand in the region and fully integrate its supply chain in the consumer business.
- Consolidation of the healthcare business in Thailand will enable BJC to sell higher gross margin medical products.

CONSENSUS COMPARISON

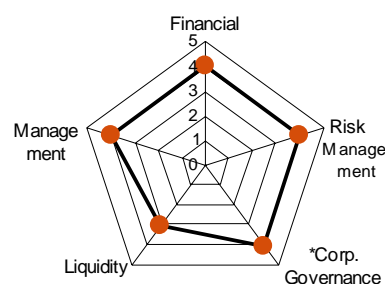
	Consensus	Thanachart	Diff
Target price (Bt)	21.80	22.00	1%
Net profit 11F (Bt m)	2,111	2,108	0%
Net profit 12F (Bt m)	2,395	2,468	3%
Consensus REC	BUY: 2	HOLD: 0	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts in the medium to long term are slightly above the Street's as we are slightly more bullish on BJC's businesses overseas in the longer term.
- Accordingly, our TP is a little higher than the consensus.

Sources: Bloomberg consensus, Thanachart

COMPANY RATING



Rating Scale

Very Strong	5
Strong	4
Good	3
Fair	2
Weak	1
None	0

Source: Thanachart; *CG Awards

W — Weakness

- BJC lacks its modern trade outlets to gain access to end-consumers. This has led BJC to lose bargaining power to modern trade operators.

T — Threat

- Aggressive new modern trade store and outlet expansion.
- Oil prices are still trending up while palm oil supplies will decline from the same period last year due to recent heavy flooding in the south of Thailand.

RISKS TO OUR INVESTMENT CASE

- If raw material prices go higher than our expectations, BJC's gross margin will be hurt.
- If demand and supply for the packaging business in Vietnam move against our expectations.

Source: Thanachart

INCOME STATEMENT

With full-year consolidation of two new acquisitions and new investments in 2012, BJC looks set to deliver three-year normalized EPS growth of 15.3%

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
Sales	22,799	26,082	29,910	34,327	38,315
Cost of sales	17,198	18,940	21,835	25,055	27,953
Gross profit	5,601	7,142	8,075	9,271	10,362
% gross margin	24.6%	27.4%	27.0%	27.0%	27.0%
Selling & administration expenses	3,979	4,392	4,938	5,479	5,966
Operating profit	1,622	2,750	3,138	3,792	4,396
% operating margin	7.1%	10.5%	10.5%	11.0%	11.5%
Depreciation & amortization	1,337	1,416	1,534	1,653	1,753
EBITDA	2,960	4,166	4,672	5,445	6,149
% EBITDA margin	13.0%	16.0%	15.6%	15.9%	16.0%
Non-operating income	239	234	254	275	287
Non-operating expenses	0	0	0	0	0
Interest expense	(222)	(227)	(255)	(311)	(320)
Pre-tax profit	1,639	2,758	3,137	3,755	4,363
Income tax	415	668	759	939	1,113
After-tax profit	1,224	2,090	2,378	2,817	3,250
% net margin	5.4%	8.0%	8.0%	8.2%	8.5%
Shares in affiliates' Earnings	64	62	62	62	62
Minority interests	(58)	(289)	(332)	(411)	(459)
Extraordinary items	32	43	0	0	0
NET PROFIT	1,262	1,905	2,108	2,468	2,854
Normalized profit	1,230	1,863	2,108	2,468	2,854
EPS (Bt)	0.8	1.2	1.3	1.6	1.8
Normalized EPS (Bt)	0.8	1.2	1.3	1.6	1.8

BALANCE SHEET

Balance sheet remains strong. With its current investment plan, there is no risk of a new capital call

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
ASSETS:					
Current assets:	10,321	11,692	12,630	14,391	15,979
Cash & cash equivalent	841	1,224	700	700	700
Account receivables	4,562	5,390	6,146	7,053	7,873
Inventories	4,502	4,466	5,085	5,835	6,510
Others	417	612	700	803	896
Investments & loans	399	413	413	413	413
Net fixed assets	11,451	12,534	13,500	14,347	14,594
Other assets	864	2,557	2,933	3,366	3,757
Total assets	23,036	27,196	29,476	32,517	34,743
LIABILITIES:					
Current liabilities:	7,105	9,568	11,160	12,214	12,590
Account payables	2,667	3,132	3,589	4,119	4,595
Bank overdraft & ST loans	2,035	648	2,392	2,456	2,233
Current LT debt	369	3,463	2,511	2,579	2,345
Others current liabilities	2,035	2,325	2,668	3,061	3,417
Total LT debt	3,610	3,965	3,069	3,152	2,866
Others LT liabilities	582	600	688	790	881
Total liabilities	11,662	14,533	15,377	16,683	16,927
Minority interest	1,023	1,244	1,576	1,986	2,445
Preferreds shares	0	0	0	0	0
Paid-up capital	1,588	1,588	1,588	1,588	1,588
Share premium	3,751	3,751	3,751	3,751	3,751
Warrants	0	0	0	0	0
Surplus	(471)	(578)	(578)	(578)	(578)
Retained earnings	5,482	6,657	7,762	9,086	10,609
Shareholders' equity	10,351	11,419	12,524	13,847	15,371

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

Free cash flow to turn strong from 2010 onwards due to rising return from new investments

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
Earnings before tax	1,639	2,758	3,137	3,755	4,363
Tax paid	(369)	(587)	(738)	(873)	(1,073)
Depreciation & amortization	1,337	1,416	1,534	1,653	1,753
Chg In working capital	(781)	(328)	(917)	(1,128)	(1,018)
Chg In other CA & CL / minorities	232	9	294	286	286
Cash flow from operations	2,059	3,268	3,310	3,693	4,310
Capex	(687)	(2,498)	(2,500)	(2,500)	(2,000)
ST loans & investments	4	(1)	2	0	0
LT loans & investments	(97)	(14)	0	0	0
Adj for asset revaluation	(34)	0	0	0	0
Chg In other assets & liabilities	35	(1,639)	(228)	(264)	(238)
Cash flow from investments	(779)	(4,153)	(2,727)	(2,764)	(2,238)
Debt financing	(574)	2,104	(103)	214	(742)
Capital increase	0	(0)	0	0	0
Dividends paid	(481)	(809)	(1,004)	(1,144)	(1,331)
Warrants & other surplus	48	(29)	0	0	0
Cash flow from financing	(1,007)	1,267	(1,107)	(930)	(2,072)
Free cash flow	1,372	770	810	1,193	2,310

VALUATION

Normalized PE at 13.8x is unjustifiably low as BJC has already moved out of its organic growth businesses in Thailand to stronger growth and more lucrative overseas markets

FY ending Dec	2009A	2010A	2011F	2012F	2013F
Normalized PE (x)	23.6	15.6	13.8	11.8	10.2
Normalized PE - at target price (x)	28.4	18.8	16.6	14.2	12.2
PE (x)	23.0	15.3	13.8	11.8	10.2
PE - at target price (x)	27.7	18.3	16.6	14.2	12.2
EV/EBITDA (x)	11.6	8.6	7.8	6.7	5.8
EV/EBITDA - at target price (x)	13.6	10.0	9.0	7.8	6.8
P/BV (x)	2.8	2.5	2.3	2.1	1.9
P/BV - at target price (x)	3.4	3.1	2.8	2.5	2.3
P/CFO (x)	14.1	8.9	8.8	7.9	6.7
Price/sales (x)	1.3	1.1	1.0	0.8	0.8
Dividend yield (%)	2.5	3.3	3.6	4.2	4.9
FCF Yield (%)	4.7	2.6	2.8	4.1	7.9
(Bt)					
Normalized EPS	0.8	1.2	1.3	1.6	1.8
EPS	0.8	1.2	1.3	1.6	1.8
DPS	0.5	0.6	0.7	0.8	0.9
BV/share	6.5	7.2	7.9	8.7	9.7
CFO/share	1.3	2.1	2.1	2.3	2.7
FCF/share	0.9	0.5	0.5	0.8	1.5

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2009A	2010A	2011F	2012F	2013F
Growth Rate					
Net profit (%)	16.7	51.0	10.6	17.1	15.6
EPS (%)	16.7	51.0	10.6	17.1	15.6
Normalized profit (%)	24.1	51.4	13.2	17.1	15.6
Normalized EPS (%)	24.1	51.4	13.2	17.1	15.6
Dividend payout ratio (%)	57.9	50.0	50.0	50.0	50.0
Operating performance					
Gross margin (%)	24.6	27.4	27.0	27.0	27.0
Operating margin (%)	7.1	10.5	10.5	11.0	11.5
EBITDA margin (%)	13.0	16.0	15.6	15.9	16.0
Net margin (%)	5.4	8.0	8.0	8.2	8.5
D/E (incl. minor) (x)	0.5	0.6	0.6	0.5	0.4
Net D/E (incl. minor) (x)	0.5	0.5	0.5	0.5	0.4
Interest coverage - EBIT (x)	7.3	12.1	12.3	12.2	13.7
Interest coverage - EBITDA (x)	13.3	18.4	18.3	17.5	19.2
ROA - using norm profit (%)	5.4	7.4	7.4	8.0	8.5
ROE - using norm profit (%)	12.4	17.1	17.6	18.7	19.5
DuPont					
ROE - using after tax profit (%)	12.3	19.2	19.9	21.4	22.2
- asset turnover (x)	1.0	1.0	1.1	1.1	1.1
- operating margin (%)	8.2	11.4	11.3	11.8	12.2
- leverage (x)	2.3	2.3	2.4	2.4	2.3
- interest burden (%)	88.1	92.4	92.5	92.4	93.2
- tax burden (%)	74.7	75.8	75.8	75.0	74.5
WACC (%)	8.4	8.4	8.4	8.4	8.4
ROIC (%)	7.8	13.4	13.0	14.4	15.4
NOPAT (Bt m)	1,211	2,084	2,378	2,844	3,275

Sources: Company data, Thanachart estimates

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