

23 November 2020

Consumer Cyclical | Retailing

Berli Jucker (BJC TB)

Buy (Maintained)

Still In Recovery Mode; Maintain BUY

- **BUY, new 12-month DCF-based THB44.00 TP from THB45.00, 28% upside with c.2% FY21F yield.** Topline, recurring income and GPM growth in most Berli Jucker divisions remains promising. Net profit may continue growing past 4Q20F, and reach 49% YoY in FY21F (2020F: -43% YoY).
- **We remain upbeat on Berli Jucker's outlook**, post-analyst meeting last Friday. 4Q20F earnings may continue recovering QoQ, and this could turn into YoY growth throughout 2021F (assuming COVID-19 is tamed by then). This would be mainly driven by its modern retail (Big C Supercenter) and packaging businesses. This follows a recovery in Big C store operations – on retail sales and recurring income from leasable areas, growing demand for glass and aluminium can packaging, and effective cost controls.
- **Big C business' sales and recurring income picking up further.** We expect revenue and GPM to improve from mid-November onwards, due to the festive season. Big C's product mix should shift focus to high-margin soft-line merchandise. Focusing on product assortment by store locations may also help meet consumer demand. Meanwhile, its brochure and service income may begin recovering QoQ. Big C's average rental rate discounts for its leasable areas are currently at <10%. Adding more food and service tenants could boost foot traffic, and increase its occupancy rate from the 91% recorded in 3Q20. A brighter outlook for tourism may also help Big C's operations normalise from 2H21F onwards. We conservatively assume FY20 SSSG at -14% YoY, and at +3% YoY for FY21. Rental income should grow by c.7% QoQ in 4Q20F and 16% YoY in 2021F.
- **Packaging numbers are improving.** We expect BJC's aluminium can sales growth to turn positive in 4Q, supported by ongoing demand from new product categories in Thailand, and the easing of the second wave of COVID-19 infections in Vietnam, where demand for beverages may recover. The glass packaging segment may also still benefit from robust orders related to alcoholic beverages and Vitamin C drinks. BJC's focus on cost controls and the decreasing share of losses from its glass packaging plant investment in Malaysia may also enhance the operating profit margin in 4Q20 and FY21. The circular economy may provide room for growth, and sustain the business in the long run.
- **For other businesses**, BJC's consumer supply chain may see stronger sales for non-food product manufacturing locally, while product distribution in Vietnam may soften slightly from a high base in 3Q20. The hike in raw material prices and marketing activities may challenge its operating margin in the short term. Its healthcare supply chain's medical equipment sales may resume post pandemic and government fiscal budget approvals.
- **Post 9M20 results, we cut FY20-21F earnings by 7%**, and FY22F net profit by 5%. For this 3-year period, we trim sales forecasts by 2-3%, while lowering rental income and raising financing cost assumptions. FY20 core profit may plunge 43% YoY, before growing by 49% YoY next year.
- **4Q20 earnings growth may improve QoQ**, but could be sluggish YoY. Our new TP implies 21x FY21F P/E, at -1.5SD from the 5-year mean. BJC's valuation remains undemanding and should attract long-term investors.

Target Price (Return): THB44.00 (+28%)
 Price: THB34.25
 Market Cap: USD4,533m
 Avg Daily Turnover (THB/USD): 606m/19.7m

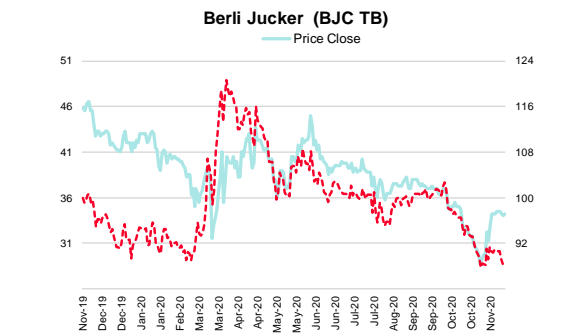
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(18.5)	5.4	(8.1)	(15.4)	(25.6)
Relative	(6.4)	(9.4)	(15.2)	(20.5)	(12.6)
52-wk Price low/high (THB)	28.75 – 46.50				



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	156,142	158,009	146,666	154,111	160,079
Recurring net profit (THBm)	6,444	7,497	4,286	6,386	7,729
Recurring net profit growth (%)	25.8	16.3	(42.8)	49.0	21.0
Recurring P/E (x)	21.26	18.30	32.02	21.49	17.76
P/B (x)	1.2	1.2	1.2	1.1	1.1
P/CF (x)	8.36	7.13	10.93	10.24	9.12
Dividend Yield (%)	2.1	2.7	1.3	2.1	2.5
EV/EBITDA (x)	12.17	11.81	12.79	11.34	10.39
Return on average equity (%)	6.1	6.4	3.3	5.4	6.3
Net debt to equity (%)	132.5	126.2	122.9	113.6	104.0

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand	Recurring EPS	1.61	1.87	1.07	1.59	1.93
Consumer Cyclical	DPS	0.73	0.91	0.44	0.72	0.87
Berli Jucker	BVPS	27.78	28.84	29.05	30.12	31.29
BJC TB	Return on average equity (%)	6.1	6.4	3.3	5.4	6.3
Buy						
	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Valuation basis	Recurring P/E (x)	21.26	18.30	32.02	21.49	17.76
DCF	P/B (x)	1.2	1.2	1.2	1.1	1.1
	FCF Yield (%)	4.2	8.5	3.7	5.8	7.0
Key drivers	Dividend Yield (%)	2.1	2.7	1.3	2.1	2.5
i. Overseas business expansion;	EV/EBITDA (x)	12.17	11.81	12.79	11.34	10.39
ii. Production capacity increases;	EV/EBIT (x)	19.01	18.34	23.07	19.06	16.81
iii. Attaining new customers for its packaging business;						
iv. Opening of new Big C stores;						
v. Consumers stockpiling necessities.						
	Income statement (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Key risks	Total turnover	156,142	158,009	146,666	154,111	160,079
i. Domestic consumption remains weak;	Gross profit	29,968	30,889	27,646	29,303	30,738
ii. Raw material price volatility;	EBITDA	21,000	21,505	19,802	21,895	23,342
iii. Intense competition in the hypermarket segments, which may squeeze profit margins;	Depreciation and amortisation	(7,556)	(7,652)	(8,829)	(8,876)	(8,918)
iv. Uncertainties, ie natural disasters and political unrest.	Operating profit	13,444	13,853	10,973	13,020	14,424
	Net interest	(4,719)	(4,971)	(5,280)	(5,010)	(4,730)
	Pre-tax profit	8,931	8,664	5,289	8,010	9,694
	Taxation	(1,647)	(890)	(911)	(1,201)	(1,454)
	Reported net profit	6,650	7,278	3,882	6,386	7,729
	Recurring net profit	6,444	7,497	4,286	6,386	7,729
Company Profile						
Berli Jucker is a Thai consumer products conglomerate. It operates four business lines: Packaging products (glass bottles and aluminium cans), consumer products (tissue paper, snacks, and personal products), technical & healthcare products, and modern retailers. The company also has presence in the Cambodia, Laos, Myanmar, and Vietnam (or CLMV nations) – especially in Vietnam.	Cash flow (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Change in working capital	(1,399)	155	1,172	(738)	(707)
	Cash flow from operations	16,393	19,245	12,560	13,405	15,046
	Capex	(10,693)	(7,640)	(7,500)	(5,500)	(5,500)
	Cash flow from investing activities	(11,155)	(8,397)	(7,332)	(5,621)	(5,628)
	Dividends paid	(2,399)	(2,923)	(3,450)	(2,085)	(3,055)
	Cash flow from financing activities	(3,896)	(10,496)	(7,942)	(7,588)	(10,359)
	Cash at beginning of period	4,368	5,710	6,062	3,348	3,612
	Net change in cash	1,342	352	(2,714)	196	(941)
	Ending balance cash	5,710	6,062	3,348	3,544	2,672
	Balance sheet (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	6,278	6,346	3,348	3,612	2,666
	Tangible fixed assets	79,027	80,524	81,857	80,821	79,598
	Total investments	39,389	38,872	37,721	36,528	35,335
	Total assets	324,060	325,804	318,524	317,728	315,349
	Short-term debt	55,777	41,872	32,000	36,000	38,000
	Total long-term debt	103,924	115,603	120,000	110,000	100,000
	Total liabilities	208,286	206,068	197,584	192,437	185,201
	Total equity	115,774	119,736	120,939	125,291	130,147
	Total liabilities & equity	324,060	325,804	318,524	317,728	315,349
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	4.7	1.2	(7.2)	5.1	3.9
	Recurrent EPS growth (%)	25.6	16.2	(42.9)	49.0	21.0
	Gross margin (%)	19.2	19.5	18.8	19.0	19.2
	Operating EBITDA margin (%)	13.4	13.6	13.5	14.2	14.6
	Net profit margin (%)	4.3	4.6	2.6	4.1	4.8
	Dividend payout ratio (%)	36.1	40.2	0.0	0.0	0.0
	Capex/sales (%)	6.8	4.8	5.1	3.6	3.4
	Interest cover (x)	2.85	2.79	2.08	2.60	3.05

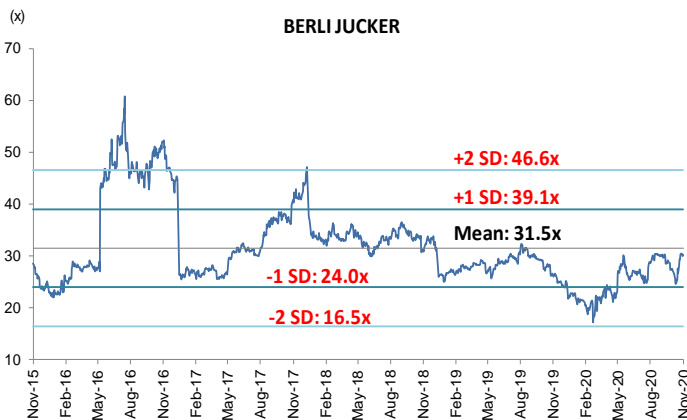
Source: Company data, RHB

Figure 1: Berli Jucker's DCF valuation

THBm	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	10,973	13,020	14,424	15,584	16,538	17,505	18,496	19,536	20,628	21,745
EBIT (1-t)	9,876	11,067	12,261	12,467	13,230	14,004	14,797	15,629	16,502	17,396
Depreciation & amortisation	8,829	8,876	8,918	8,966	8,960	9,049	9,160	9,249	9,564	9,916
Change in net working capital	1,305	(2,008)	32	233	(597)	253	(37)	(83)	90	(34)
Capex	(7,500)	(5,500)	(5,500)	(5,500)	(4,300)	(5,300)	(5,800)	(6,400)	(7,000)	(7,500)
Net free cash flow to firm	12,510	12,435	15,710	16,166	17,293	18,007	18,120	18,394	19,157	19,777
Terminal value										405,755
PV	12,095	11,239	13,274	12,769	12,769	12,429	11,692	11,096	10,803	224,325
Terminal growth	2.0%									
WACC	7.0%									
Total discounted firm value	332,493									
Less: Net debt	151,414									
Less: Minority interest	4,690									
Equity value	176,389									
Number of shares (m)	4,008									
Equity value per share (THB)	44.00									

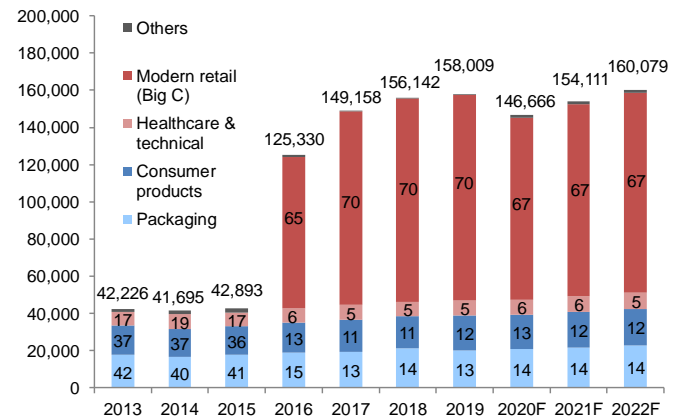
Source: RHB

Figure 2: Berli Jucker's P/E and SD levels



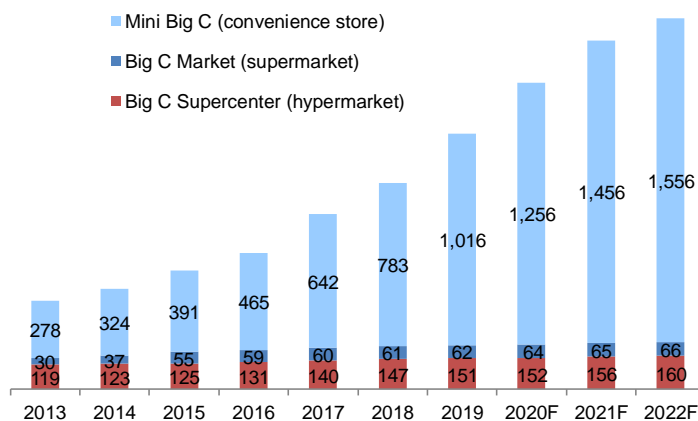
Source: Bloomberg, RHB

Figure 3: Berli Jucker's total sales revenue breakdown by supply chain



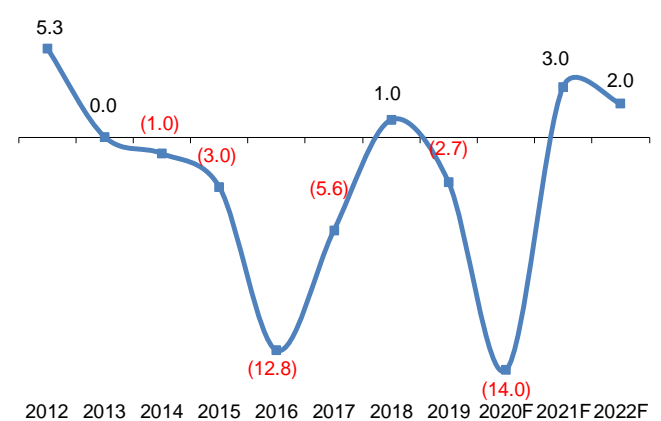
Source: Company data, RHB

Figure 4: Number of Big C stores by format



Source: Company data, RHB

Figure 5: Big C – annualised SSSG



Source: Company data, RHB

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Figure 6: Berli Jucker's 3Q20 and 9M20 performance review

FYE Dec (THBm)	3Q19	2Q20	3Q20	YoY % chg	QoQ % chg	9M19	9M20	YoY % chg	Remarks
Turnover	38,620	36,119	35,027	-9.3	-3.0	117,445	109,629	-6.7	YoY: COVID-19 impact on all business supply chains except its consumer product manufacturing unit, which still delivered 15% growth QoQ: A low season for its modern retail supply chain (Big C Supercenter)
Gross profit	7,399	6,650	6,607	-10.7	-0.6	22,886	20,548	-10.2	
EBIT	3,429	2,386	2,642	-23.0	10.7	10,016	8,028	-19.9	YoY: Lower sales, declining GPM and lower rental income QoQ: Improving sales and cost control for its glass packaging supply chain, and a recovery in rental income and GPM for its Big C business
EBIT margin (%)	8.9	6.6	7.5			8.5	7.3		QoQ: Driven by packaging and modern retail supply chains
EBITDA	5,334	4,572	4,918	-7.8	7.6	15,707	14,671	-6.6	
EBITDA margin (%)	13.8	12.7	14.0			13.4	13.4		
Interest expense	(1,256)	(1,322)	(1,334)	6.2	0.9	(3,699)	(3,987)	7.8	
Pretax profit	2,172	1,064	1,308	-39.8	22.9	6,318	4,041	-36.0	
Tax	(317)	(143)	(139)	-56.2	-2.9	(888)	(596)	-32.9	Lower effective tax rate of 10.6% (vs 14.6% in 3Q19 and 13.4% in 2Q20)
Core profit	1,742	804	1,057	-39.3	31.3	5,032	3,052	-39.4	YoY: Lower sales, declining GPM, lower rental income, rising finance costs QoQ: Improvements at its packaging and modern retail businesses
Net profit	1,774	306	1,062	-40.1	247.2	4,806	2,648	-44.9	3Q20: One-time restructuring cost of THB27m
Gross margin (%)	19.2	18.4	18.9			19.5	18.7		Mainly due to sales mix changes in the modern retail supply chain (weak sales of high-margin non-food items and rising B2B sales)
SG&A/sales (%)	20.7	18.5	20.4			21.1	19.8		YoY: Efficient opex control in most supply chains QoQ: Resumed marketing activities enhanced the ratio
Core profit margin (%)	4.5	2.2	3.0			4.3	2.8		
Net profit margin (%)	4.6	0.8	3.0			4.1	2.4		
Key indicators									
Sales breakdown (%)									
- Packaging supply chain	13	12	14			13	13		Affected by the resurgence of COVID-19 infections in Vietnam and Myanmar
- Consumer supply chain	11	14	14			12	14		Driven by non-food product sales in Thailand and the international logistics business
- Healthcare & technical supply chain	6	5	5			5	5		Sales declined YoY from a high base, from large-scale hospital projects last year
- Modern retail supply chain	70	69	67			70	68		
Number of Big C Stores									
- Big C Supercenter	148	151	152			148	152		
- Big C Market	62	61	62			62	62		
- Mini Big C	887	1,094	1,153			887	1,153		
Big C SSSG (%)	-4.9	-17.0	-17.8			-1.4	-13.4		Soft consumption environment, lack of tourist arrivals, and seasonality effect, while non-food merchandise was still underperforming against food sales (Excluding B2B sales, its 3Q20 SSSG would be -18.3% YoY, vs -21.1% in 2Q20)

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-08-26	Buy	45.0	38.0
2020-05-17	Buy	49.0	37.0
2019-08-30	Buy	61.0	54.3
2019-02-20	Buy	65.0	48.0
2018-05-30	Buy	73.0	57.0

Source: RHB, Bloomberg

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Analyst	Company
-	-

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90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนาธรรม CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

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- ได้รับการรับรอง CAC

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