BG Container Glass Pcl (BGC TB) - BUY, Price Bt11.7, TP Bt13.5

Results Comment

Siriporn Arunothai | Email: siriporn.aru@thanachartsec.co.th

2Q21 results were slightly below expectation

- BGC reported net profit of Bt122m in 2Q21, up 53% y-y but down 33% q-q. This was slightly below ours and the street's earnings forecast due to its higher-than-expected costs.
- The company's y-y earnings growth resulted from 1) rising glass-packaging sales, 2) rising revenue from two newly acquired companies in non-glass packaging businesses, and 3) low earnings base in 2Q20.
- The q-q earnings drop resulted from 1) falling gross margin due to rising energy cost and raw material costs (paper and plastic pellets) and 2) rising SG&A expenses due to container shortage problem and rising transportation cost in domestic market.
- 6M21 earnings accounted for 52% of our full-year earnings forecast. Though we see BGC's glass packaging business will have some negative impact from COVID-19 pandemic, rising revenue from its two newly-acquired companies in non-glass packaging businesses will help to reduce some negative impact on glass-packaging business. We maintain BUY.
- BGC announced an interim dividend of Bt0.12/share. The XD date is 24 August 2021 and the payment date is 10 September 2021.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	2,471	2,685	2,796	3,020	3,150
Gross profit	**498**	**528**	**463**	**546**	**549**
SG&A	296	283	365	296	343
Operating profit	202	245	97	250	206
EBITDA	**625**	**668**	**627**	**654**	**658**
Other income	13	16	16	16	39
Other expense	0	0	0	0	0
Interest expense	67	60	56	57	65
Profit before tax	**149**	**201**	**57**	**209**	**180**
Income tax	(0)	9	(51)	10	21
Equity & invest. income	1	2	1	4	1
Minority interests	(66)	(30)	35	(14)	(36)
Extraordinary items	(4)	(8)	(30)	(7)	(2)
Net profit	**80**	**156**	**114**	**182**	**122**
Normalized profit	**84**	**164**	**144**	**189**	**124**
EPS (Bt)	0.12	0.22	0.16	0.26	0.18
Normalized EPS (Bt)	0.12	0.24	0.21	0.27	0.18

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	4	28	50	12,336	13,483
Gross profit	**1**	**10**	**50**	**2,180**	**2,349**
SG&A	16	16	51	1,256	1,336
Operating profit	(17)	2	49	924	1,013
EBITDA	**1**	**5**	**50**	**2,607**	**2,693**
Other income	138	195	56	99	110
Other expense			-	45	45
Interest expense	15	(2)	45	270	254
Profit before tax	**(14)**	**21**	**55**	**709**	**824**
Income tax	113	na	48	63	95
Equity & invest. income	(74)	(16)	64	7	8
Minority interests	na	na	72	(70)	(73)
Extraordinary items	na	na	na	0	0
Net profit	**(33)**	**53**	**52**	**583**	**663**
Normalized profit	**(34)**	**48**	**54**	**583**	**663**
EPS (Bt)	(33)	53	52	0.84	0.96
Normalized EPS (Bt)	(34)	48	54	0.84	0.96

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	414	373	420	397	457
A/C receivable	1,186	1,127	1,584	1,570	1,383
Inventory	2,408	2,379	2,327	2,104	2,489
Other current assets	299	409	814	372	349
Investment	150	151	144	147	148
Fixed assets	12,487	12,318	12,503	11,859	12,168
Other assets	1,037	1,051	1,566	1,542	1,600
Total assets	**17,981**	**17,808**	**19,359**	**17,991**	**18,593**
S-T debt	6,006	6,140	7,006	6,385	6,056
A/C payable	1,037	1,009	1,259	1,190	1,389
Other current liabilities	197	129	184	187	183
L-T debt	4,090	3,696	3,118	2,860	4,554
Other liabilities	921	952	1,008	959	1,026
Minority interest	723	763	1,675	1,082	1,085
Shareholders' equity	**5,007**	**5,120**	**5,109**	**5,329**	**4,300**
Working capital	2,556	2,497	2,652	2,484	2,483
Total debt	10,096	9,836	10,124	9,245	10,610
Net debt	**9,682**	**9,463**	**9,704**	**8,848**	**10,153**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	(9.4)	6.3	(9.9)	0.2	27.5
Operating profit growth	50.8	71.1	(62.0)	(11.3)	1.9
EBITDA growth	30.5	35.8	2.7	(5.1)	5.2
Norm profit growth	(7.5)	87.3	(25.5)	2.7	47.6
Norm EPS growth	(7.5)	87.3	(25.5)	2.7	47.6
Gross margin	20.2	19.7	16.5	18.1	17.4
Operating margin	8.2	9.1	3.5	8.3	6.5
EBITDA margin	25.3	24.9	22.4	21.6	20.9
Norm net margin	3.4	6.1	5.2	6.3	3.9
D/E (x)	1.8	1.7	1.5	1.4	2.0
Net D/E (x)	1.7	1.6	1.4	1.4	1.9
Interest coverage (x)	9.3	11.1	11.2	11.5	10.1
Interest rate	2.7	2.4	2.2	2.3	2.6
Effective tax rate	(0.1)	4.3	(88.8)	4.6	11.4
ROA	1.9	3.7	3.1	4.1	2.7
ROE	6.6	13.0	11.3	14.5	10.3

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 87 Derivative Warrants which are ACE16C2111A , ADVA16C2110A , AEON16C2108A , AOT16C2109A , BAM16C2110A , BANP16C2109A , BANP16C2110A , BCH16C2109A , BCH16C2111A , BCH16C2111B , BCPG16C2111A , BDMS16C2109A , BGRI16C2110A , BH16C2109A , CBG16C2108A , CBG16C2109A , CBG16C2109B , CHG16C2111A , COM716C2110A , COM716C2112A , CPAL16C2109A , CPAL16C2111A , CPF16C2108A , CPN16C2109A , DELT16C2108A , DELT16C2109A , DOHO16C2111A , DTAC16C2112A , EA16C2108A , EA16C2110A , EGCO16C2110A , EPG16C2109A , GPSC16C2109A , GPSC16C2110A , GUNK16C2108A , GUNK16C2110A , HANA16C2112A , IRPC16C2108A , IRPC16C2110A , IVL16C2109A , IVL16C2110A , IVL16C2111A , JMAR16C2111A , JMT16C2110A , KBAN16C2108A , KBAN16C2109A , KBAN16C2111A , KBAN16C2111B , KCE16C2109A , KCE16C2110A , KTC16C2110A , KTC16C2110B , MINT16C2109A , MTC16C2108A , MTC16C2109A , OR16C2108A , OR16C2109A , PRM16C2109A , PTG16C2109A , PTT16C2109A , PTT16C2112A , PTTG16C2108A , PTTG16C2110A , PTTG16C2111A , RBF16C2110A , RS16C2108A , RS16C2109A , S5016C2109A , S5016C2109B , S5016C2109C , S5016C2109D , S5016C2112A , S5016P2109A , S5016P2109B , S5016P2112A , SAWA16C2112A , SCB16C2111A , SCC16C2112A , SCGP16C2109A , STA16C2112A , STEC16C2110A , STGT16C2111A , TASC16C2109A , TOP16C2112A , TQM16C2108A , TU16C2110A , TU16C2111A (underlying securities are ACE, ADVANC, AEONTS, AOT, BAM, BANPU, BCH, BCPG, BDMS, BGRIM, BH, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, DTAC, EA, EGCO, EPG, GPSC, GUNKUL, HANA, IRPC, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, OR, PRM, PTG, PTT, PTTGC, RBF, RS, SAWAD, SCB, SCC, SCGP, SET50, STA, STEC, STGT, TASCO, TOP, TQM, TU). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities
Investment Banking Relationship
Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.